# AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1994



## NGS

BEFORE A

## SUBCOMMITTEE OF THE

## COMMITTEE ON APPROPRIATIONS

## HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

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SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

RICHARD J. DURBIN, Illinois *Chairman*

JAMIE L. WHITTEN, Mississippi
MARCY KAPTUR, Ohio
RAY THORNTON, Arkansas
ROSA L. DeLAURO, Connecticut
DOUGLAS "PETE" PETERSON, Florida
ED PASTOR, Arizona
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JOE SKEEN, New Mexico
JOHN T. MYERS, Indiana
BARBARA F. VUCANOVICH, Nevada
JAMES T. WALSH, New York

Robert B. Foster, Timothy K. Sanders, and Carol Murphy, *Staff Assistants*

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## PART 1

## AGRICULTURAL PROGRAMS



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Printed for the use of the Committee on Appropriations

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## HEARINGS

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# AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1994

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WEDNESDAY, FEBRUARY 24, 1993.

## DEPARTMENT OF AGRICULTURE

### WITNESSES

HON. MIKE ESPY, SECRETARY OF AGRICULTURE

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

### OPENING REMARKS

Mr. DURBIN. This meeting on Agriculture and Rural Development of the House Appropriations Committee will now come to order.

We are happy to welcome back for testimony for two days running now, Secretary of Agriculture Mike Espy, with his Budget Officer, Steve Dewhurst.

Mr. Secretary, today we are going to address the fiscal year 1994 budget proposal, and there are a number of questions that we have for you. But, of course, we would like to give you an opportunity to make an opening statement. Your entire statement will be made a part of the record, and if there are any particular comments or summary you would like to give us at this time, we welcome you.

Mr. Secretary, at this point in the record we will insert your biographical sketch.

[The biographical sketch follows:]

# NEWS

United States Department of Agriculture
Office of Public Affairs
News Division
Room 404-A
Washington, D.C. 20250

## *Biography*

**MIKE ESPY**

**U.S. Secretary of Agriculture**

Mike Espy was sworn in as the 25th U.S. Secretary of Agriculture on Jan. 22, 1993. Prior to being appointed to this position, Espy represented the second district of Mississippi in the U.S. House of Representatives.

Espy was first elected to the U.S. House of Representatives in 1986, where he served on the Agriculture and Budget Committees. He was chairman of the Domestic Hunger Task Force of the Select Committee on Hunger, the Lower Mississippi Delta Caucus, and the Natural Resources, Community and Economic Development Task Force of the House Budget Committee. He also was Majority Whip at large.

As Vice-Chair of the Democratic Leadership Council, Espy has been on the front lines of the national movement to dramatically reinvent government. He has been a leading spokesperson for the need to reunite the interests of the middle class with those struggling to enter the middle class. He has also been one of the country's strongest voices on behalf of the unique concerns of rural America.

Espy put his reinventing government ideas into action for the six years he served on the House Agriculture Committee. He made numerous proposals to reform agriculture, including measures to cut red-tape in the USDA National Appeals Division, to promote the use of food stamps at farmers' markets, provide outreach programs for limited resource farmers, and increase markets for pond-raised catfish.

As Chair of the Natural Resources, Community and Economic Development Task Force of the House Budget Committee in the 102nd Congress, Espy played a key role in shaping welfare reform proposals. He received national attention for his advocacy of self-empowerment legislation that would allow welfare recipients to help free themselves from dependence on the current system. Espy vigorously promoted microenterprise projects that would allow low-income individuals to start their own businesses. Espy also introduced legislation to create regional community development banks in the Mississippi Delta region that would be a model for such banks being developed nationally by the Clinton Administration.

-more-

Before his election to Congress, Espy served as Mississippi assistant state attorney general for consumer protection (1984-85), assistant secretary of the public lands division (1980-1984), and assistant secretary of state for legal services (1978-80).

Espy was born Nov. 30, 1953 in Yazoo City, Miss. He received a bachelor's degree from Howard University in Washington, D.C., in 1975 and a law degree from Santa Clara Law School, Santa Clara, Calif., in 1978.

As secretary of agriculture, Mike Espy presides over one of the largest and most diverse agencies in the federal government. He administers broad programs to maintain America's safe, abundant, and reasonably priced supply of food and fiber while protecting and preserving the nation's soil and water resources. In addition to managing traditional farm programs, the U.S. Department of Agriculture's mission includes domestic food assistance, research and education, agricultural marketing, meat and poultry inspection, forestry, rural development, and many other areas vital to the lives of all Americans.

#

## Statement of the Secretary of Agriculture

Secretary Espy. Mr. Chairman, thank you. I thank you and the members of the Committee for hearing me once more.

At the outset, we would like to say that we look forward to working with our colleagues on this Committee. Because of my previous association with the Congress and my experience with rural development, and all of the other food and farm programs, I intend to work very hard at fostering a good working relationship between the Clinton Administration and this Committee.

As you well know, the Department's programs are extremely important to rural residents, consumers, low-income persons and farmers throughout the nation. I am excited about heading the Department that can do so much good for so many people. In order to carry out my duties, of course, I am going to need the help of all the employees over at USDA and certainly the help of this Committee.

In his February 17 address to the joint session of Congress, President Clinton provided a broad outline of his economic plan and the need for deficit reduction. The specifics of our fiscal year 1994 budget proposals for individual programs will be submitted to the Congress about mid-March. So today, once again, I am not exactly in a position to discuss with you specific funding recommendations for all the Department's programs. Rather, we would like to address the broad outlines of the President's economic program as it pertains to USDA.

### President's Economic Program

Mr. Chairman, this program consists of three basic components: One, a short-term economic stimulus package that will affect the fiscal year 1993 budget—we discussed this in more detail yesterday—a longer term investment program that will affect fiscal year 1994 through 1997, and a serious, credible plan for deficit reduction. The deficit reduction part of the plan focuses on proposed discretionary program and entitlement savings for fiscal year 1994 through 1997, as well as, an across-the-board reduction in overhead, personnel and administrative costs.

This economic plan moves us in the right direction to significantly reduce the deficit. It is expected that the plan will result in $325 billion in deficit reduction over four years—with the deficit falling from about 5.4 percent to 2.7 percent of the gross domestic product. The President's budget is an honest budget. It contains no gimmicks and no rosy scenarios. It will create jobs and lift incomes.

Clearly, deficit reduction leading to lower long-term interest rates will benefit all America, especially rural America, which has lacked capital for economic growth. In 1992, interest payments on the debt were about $200 billion—over three times the total budget for the Department of Agriculture. These interest costs are eating up a larger and larger share of the budget, taking funds away that could be used for productive investment. A sound deficit reduction plan must face up to the facts and provide the realistic funding levels for discretionary and entitlement programs that will bring the deficit down. It will also require us to look carefully at how we administer programs.

Again, I was here yesterday and we talked about this economic stimulus package. We discussed in detail the meat inspectors, water and waste disposal system construction, single family homes, and natural resource programs, expanding WIC, and all the other matters which served to constitute the short-term program.

### LONG-TERM INVESTMENTS

This morning we would like to spend a little bit more time on the longer-term investments. As part of the longer-term investment program, nearly $18 billion in budget authority is proposed for the Department of Agriculture for investments in both human and physical capital over the next four years.

We have a vital role to play in promoting the rural economy. The Secretary of Agriculture, under the law, is to provide leadership within the executive branch for rural development efforts. We intend to do it. We intend to be a loud and persistent voice for rural America at the cabinet table. Rural revitalization will be one of my top priorities. We can help lead this program in a new direction.

As part of the rural development initiative in the Clinton plan, we are requesting significant increases in programs providing loans and grants for housing, community facilities and rural businesses, with emphasis on small enterprises. Water and waste water loans will be increased to reflect the high program levels achieved in Fiscal Year 1993 through the stimulus package.

In the food safety area, there are a number of other initiatives. First, an additional 40 meat and poultry inspectors will be hired in addition to the 160 hired in fiscal year 1993, and a major research initiative to reduce the level of food-borne pathogens will be initiated.

In the food assistance arena, the Clinton economic plan proposes a $9 billion increase over four years in the Food Stamp Program. Food Stamp increases will help to offset the effects of the energy tax on low-income households.

We are also proposing increased funding for the Women, Infants and Children—WIC—program over four years so that all people eligible for the program are covered by the end of fiscal year 1996. In order to pay for meals for pre-school children added to Head Start, we propose additional funding for the Child and Adult Care Food Program during fiscal year 1994 through fiscal year 1997 that would build on similar increases for fiscal year 1993.

We will also propose to increase competitive grants under the National Research Initiative by $480 million over four years to support high priority agriculture, food and environmental research.

Of course, as we propose increases, Mr. Chairman, on the philosophy of pay as you go, we also propose spending reductions.

### DISCRETIONARY PROGRAM REDUCTIONS

In order to reduce the deficit, spending on discretionary programs will have to be reduced. The President's 1994 budget will propose $2.5 billion in cumulative program reductions during fiscal year 1994 through 1997 in the Department's discretionary programs. A number of discretionary programs will be targeted for

reductions, as well as a number of programs in the entitlement area.

A major proposal in the budget will be the creation of a single Farm Service Agency. The agency will be created from the current USDA agencies serving farmers at the county and regional level. These agencies include the Agricultural Stabilization and Conservation Service—ASCS, the Soil Conservation Service—SCS, the Federal Crop Insurance Corporation—FCIC, and the Farmers Home Administration—FmHA.

The proposal would improve service for farmers while reducing staff needs and administrative overhead at USDA national, state and local levels.

## USDA REORGANIZATION

As stated at my confirmation hearing, my priority is to streamline from top to bottom starting with the Washington bureaucracy first and then restructuring the field offices. In setting up the new agency we will be looking for ways to improve productivity, reduce regulatory burdens, reduce paperwork requirements, and make our operations more client friendly.

If I might stop and say, Mr. Chairman, that we have done a lot of work on this. We have charts pretty much already formulated. We have gone through the reductions and the savings with our budget officials. I have had a chance to present it to you in general form, as well as the leadership of the House and Senate Agriculture Committees on a bipartisan basis. We have had a chance to present it to the White House. And although there are many changes that could be made, I think that we are on the right track regarding the Washington headquarters restructuring.

I would like to do it so that we can provide, as much as possible, a one-stop shop for farmers and ranchers, to come to one place and sign up for the ASCS programs, the environmental programs of the Soil Conservation Service, and the Farmers Home programs. Technical advice could be provided on the spot. It will allow for cross-training of USDA employees in the field, and certainly better utilization of computers and informational services.

I hesitate to declare it and present it now for a couple of reasons. One, we do not yet have our principal appointees on board. We do not yet have the deputy, nor the assistants, or the under secretaries, and I really hate for them to come on board and the first action from the Secretary would be to shove a restructuring in their face. I have presented certain names to the President and to each and everyone of these persons I have indicated that we may restructure your agency.

For instance, whoever turns out to be the Under Secretary for Farmer Services, formerly the Under Secretary for International Affairs and Commodity Programs, I would tell that person we will perhaps restructure under your area so you will not have the same functions as you thought you would have; and, I hope that you understand. We think that we will have material savings in this streamlinging effort. We hope to accomplish this very quickly and then move on to the field where we will, of course, reap substantial savings from the restructuring.

We are also proposing restructuring other functions in USDA to improve efficiency and reduce costs. We, of course, will be working with Congress to carry through on these reorganization proposals.

OTHER DISCRETIONARY PROGRAM CHANGES

In addition to these restructuring and streamlining efforts, the budget before this committee will propose a number of other discretionary program changes including the following:

REA loans would be made at Treasury rates while preserving lower interest loans for truly needy borrowers.

Meat and poultry inspection fees would be charged to cover all work by federal inspectors beyond one shift per day.

Lower priority economic and agricultural research would be eliminated.

Funding for foreign agriculture market development activities would be reduced by targeting areas most in need of federal assistance.

The Market Promotion Program would be maintained at the current appropriated level.

Farmers Home direct farm credit would be reduced, but subsidized guarantees would be increased. This, of course, is the path that we have been on for quite some time.

ENTITLEMENT PROGRAMS SAVINGS

We propose savings in the entitlement area as well. We cannot reduce the deficit unless savings are achieved in this area of the budget. While health care costs are the most significant area in this regard, the USDA programs must also make a contribution, keeping in mind that these programs have already made a significant contribution in the 1990 budget agreement. Our farmers have already given a lot and they should be very proud of this contribution and what they do to provide the food and fiber in this country. They should realize that their contribution has been recognized by this Administration. However, we must move on and we will request additional revenue and reduction in some programs.

The 1994 budget for USDA contains $4.7 billion in cumulative savings for Fiscal Year 1994 through 1997 in entitlement programs. We do want to assure this Committee that, aside from a modest targeting proposal, the major farm commodity programs will be left intact until the 1995 Farm Bill. Currently we are in the middle of the 1990 Farm Bill. We will be revisiting this legislation in a major way, of course, in 1995. We are also at the GATT talks and the NAFTA talks, Mr. Chairman, and what I do not want to do is to have a difference in what the left hand is doing with regard to what the right hand needs to do at the GATT. We will take no unilateral action that will make our farmers weaker in international negotiations. I do not want to undermine our leverage in these negotiations with far-reaching Draconian cuts in farm programs at this point in time.

In 1995, we will take a fresh look at the situation. For the 1995 Farm Bill, and beginning with the 1996 crops, we are now intending to propose as part of the President's program increasing the non-eligible payment acres, so-called "triple base", eliminating the

0/92 and 50/92 programs and increasing assessments on "non-program" federally subsidized commodities. This will be done to help reduce the deficit in the out-years, and provide farmers with increased flexibility in planting decisions to allow them to respond to market conditions.

In an effort to better target income support payments to smaller, family sized farmers, these payments would be limited to those farmers making less than $100,000 in off farm income starting with 1994 crops. Also, wool and mohair direct support payments would be limited to $50,000 per person. As was discussed in the campaign, honey program subsidies would be eliminated beginning in 1994 fiscal year. This is the only commodity program proposed for outright termination.

In addition to these program changes, the crop insurance program is also in need of reform, and everyone knows it. It is proposed that indemnities would be based on area or county yield rather than individual farm experience. To the extent that commodity disaster payments are made in the future, the loss threshold would be increased from 35 to 40 percent for those producers with crop insurance and from 40 to 50 percent for those producers without crop insurance.

Concerning Food Stamp administrative expenses, beginning April 1, 1994, State administrative expenses would be limited to a 50 percent match with Federal funds. This proposal is consistent with proposals being made for the Aid For Dependent Children—AFDC—and Medicaid programs.

The President also announced government-wide reductions in employment and pay costs, as well as, a 14 percent reduction in administrative costs over four years. These actions, are designed to improve operations and efficiency of the government's programs. All of the details of these actions are under development and will be submitted with the budget in March. When the actions are completed, the USDA, we believe, will be a leaner, much more effective organization.

## USDA EFFECTIVENESS

Recently there has been publicity about the effectiveness of the Department of Agriculture. The perception in some quarters, Mr. Chairman, is that the USDA has become an outmoded and unresponsive bureaucracy, no longer client friendly or interested in reaching out beyond the traditional farmer client base to others who also have legitimate concerns. We hope that we have already signaled our intention to change this perception. We have met with consumer groups on the food safety issue. We have met with whistle blowers who heretofore have felt alienated from their Department of Agriculture, and we have been reaching out to all affected members of the community on programs and changes that we have already signaled. I promise to seriously and thoughtfully address the valid concerns and criticisms expressed and, where appropriate, to make changes in USDA operations.

The Department of Agriculture has long been known as the "People's Department." In fact, it was Abraham Lincoln who coined the phrase. Based on congressional authorizing and appro-

priations legislation, the Department has been mandated to carry out a broad and diverse set of programs, with a broad constituency of people who are affected by its activity.

As Secretary, I want you and each member of this committee to know that I will dedicate myself and the Department to being a positive force in improving the economic health of America, particularly rural America. I intend to work hard to ensure that people living in rural America have access to the basic services which other areas take for granted—including the full range of those included in our President's strategy for economic revitalization. I will seek to reach out to all USDA constituents and become an honest broker for their responsible concerns inside the agency.

That concludes the comments I would like to make and, along with Steve Dewhurst, I would be glad to take any questions you might have.

### USDA REORGANIZATION

Mr. Durbin. Thank you, Mr. Secretary.

I think you have a unique opportunity, and we have discussed this, to reorganize the Department of Agriculture and make it more responsive to the real needs of its constituency. Speaking for myself and I am sure for the members of this subcommittee, we are looking forward to working with you.

I would hope that we could be innovative and rather bold in the way we take a look at the Department. There are many agencies and functions in the Department which I think have, frankly, become outmoded. It is time for us to ask ourselves exactly what is needed by the farmers, ranchers, and producers across America to make certain that we have our own supply of food and fiber and also to make certain that the agricultural sector of our economy continues to prosper. But we have, I think, a broad mandate from the American people in this last election, and your selection as Secretary gives us an opportunity to implement it in this important area.

Mr. Secretary, you have announced a reorganization of the Washington office along with proposals to reduce a number of positions here in Washington. Would you please describe what you propose in the way of a new Washington office structure? Also, describe any staffing changes you are proposing.

Secretary Espy. As I discussed with you and other members of Congress, I have drafted some plans for streamlining the organization of USDA. I am still looking at options and have not made final decisions on the overall reorganization plan. In the meantime, the Clinton Administration has decided to seek the creation of a single Farm Service Agency which will encompass the functions currently the responsibility of the Agricultural Stabilization and Conservation Service, Farmers Home Administration, and the Soil Conservation Service. This change will be reflected at all levels of USDA. Plans for the organization and activities of the Farm Service Agency are still under development.

In addition, I am looking at ways to effectively reorganize the subcabinet to combine functionally related sets of responsibilities.

Of course, any changes in subcabinet responsibilities would be reflected in organization of the agencies.

Also, I am considering the centralization of some administrative functions where it makes sense to do so. Such centralization can be difficult because of unique functions in various agencies, and because there frequently is some front-end cost which must be paid to achieve long-term savings. My goal is to reduce administrative costs and better serve our clients with more effective management from headquarters through all levels of the USDA structure.

Mr. DURBIN. When the President's budget is submitted to Congress on or about the 23rd of March, will USDA's budget be based on the new organization you have proposed?

Secretary ESPY. The FY 1994 Budget Request will reflect the single Farm Service Agency, but will not include other structural changes. We are not far enough along in our discussions to propose other changes at this time. I will be working with Congress as I finalize other major structural changes and will keep you apprised of any potential budget changes.

The budget will contain proposals for reduced administrative costs in line with the Administration's across-the-board reductions in this area.

Mr. DURBIN. What savings do you anticipate in fiscal years 1993 and 1994 and how will these savings be achieved?

Secretary ESPY. We do not anticipate any savings in FY 1993 from restructuring proposals. The FY 1994 Budget will include savings that will result from the creation of the Farm Service Agency. These savings will be achieved through reduced staff needs and administrative overhead at the National, State, and local levels. In setting up the new organization we will be looking for ways to improve productivity. Savings will be included for overall reductions in administrative costs in the Department.

Mr. DURBIN. Under your proposal, Farmers Home will be merged into two other agencies, a new Farm Service Agency and the Rural Development Administration. How will this change be implemented in the field? Are the smaller county offices where a Farmers Home employee processes both farm and housing loans?

Secretary EPSY. We have not yet decided on how the farm and housing programs of the Farmers Home Administration will be distributed between the Farm Service Agency and RDA.

Mr. DURBIN. Do you plan to review the location of the seven Regional Offices that were selected for the Rural Development Administration?

Secretary ESPY. A review of these locations may be necessary as part of an overall assessment of RDA's organization structure.

## RURAL DEVELOPMENT ADMINISTRATION FIELD OFFICES

Mr. DURBIN. There were also plans to open 125 District Offices for the Rural Development Administration. Do you plan to have District Offices or will you use State Offices like FmHA?

Secretary ESPY. We have put all organization plans on hold for the time being until we determine the most efficient organization for the Farm Service Agency. Because of the nature of the programs, direct contact with the clients, the Farm Service Agency

field structure is likely to include county, district and State offices, RDA, on the other hand, currently deals primarily with governmental entities and a district office structure tends to make more sense. However, should we decide that housing or other progress could reside in RDA, we would need to revisit the structure issue.

PUBLIC AFFAIRS

Mr. DURBIN. You have announced that you plan to consolidate the Public Affairs staffs to a single central location. What were your reasons for consolidating these functions?

Secretary ESPY. In my short tenure at USDA, several concerns have been raised about communication among the press officers in various agencies. In response, I have announced plans to consolidate the press operation into one Office of Communications. One option we are reviewing is the creation of a desk system to handle public information needs for the Department. This system would create a staff for each issue area covered by the Department. Final decisions on the structure will not be made in time for inclusion in the fiscal year 1994 Budget. However, we will provide you with details when final decisions are made.

This plan is just another step in my efforts to reduce overhead cost and make the Department of Agriculture a more effective organization which will be responsive to the public in providing information in a coordinated, efficient way.

Mr. DURBIN. Would you please submit for the record the number of professional and clerical staff from each agency assigned to public affairs activities and the cost by agency?

Secretary ESPY. I will provide a table listing the number of personnel identified by USDA agencies as performing "public affairs" functions using preliminary figures prepared by agencies in response to a recent GAO survey. There are no current cost figures. Each of these positions is being evaluated to determine its precise function and whether the agencies included personnel who may have a job series associated with "public affairs," but may, in fact, perform a purely program support function such as authorizing or editing technical publications. Because our evaluation is not complete, the figures I will provide must be considered preliminary or estimates and not a precise listing. As more accurate figures are developed on staffing and costs we will provide this information to you.

[The information follows:]

PRELIMINARY USDA ALL AGENCY PUBLIC AFFAIRS/INFORMATION STAFFING SUMMARY

| Agency | PA [1] | Other [2] | Support [3] | Total |
|---|---|---|---|---|
| ACS | 3 | | | 3 |
| AMS | 5 | | 1 | 6 |
| ARS | 29 | 18 | 8 | 55 |
| ASCS | 13 | 3 | 6 | 22 |
| APHIS | 17 | 13 | | 30 |
| CSRS | 1 | 1 | | 2 |
| EMS [4] | 11 | 13 | 1 | 25 |
| ES | 7 | | | 7 |
| FmHA | 5 | 2 | | 7 |
| FCIC | 1 | 7 | 1 | 9 |

PRELIMINARY USDA ALL AGENCY PUBLIC AFFAIRS/INFORMATION STAFFING SUMMARY—Continued

| Agency | PA [1] | Other [2] | Support [3] | Total |
|---|---|---|---|---|
| FGIS | 1 | | | 1 |
| FNS | 31 | 7 | 3 | 41 |
| FSIS | 16 | 29 | 12 | 57 |
| FAS | 12 | 1 | 5 | 18 |
| FS | 410 | 101 | 104 | 615 |
| HNIS | 2 | 6 | 2 | 10 |
| NAL | 1 | 1 | | 2 |
| OAB | 1 | | | 1 |
| OICD | 1 | | | 1 |
| OPA | 56 | 65 | 35 | 156 |
| P&SA | 1 | | | 1 |
| RDA [5] | | | | |
| REA | 2 | 2 | 1 | 5 |
| SCS | 73 | 14 | 9 | 96 |
| WAOB | 1 | | | 1 |
| Total | 700 | 283 | 188 | 1,171 |

[1] PA: Career/Non-Career SES, Schedule "C" Confidential Assistants, public affairs specialist/officers.
[2] Other: other allied professional series, including writer-editors, visual information specialists, printing specialists, audio production specialists, etc.
[3] Support: secretaries, clerks, information and editorial assistants, etc.
[4] Supports ERS, NASS, OE, OAS, and AES.
[5] Support provided currently by FmHA public affairs/information staff.

Mr. DURBIN. When the employees were assigned to individual agencies, how many were Schedule C or non-career SES appointments?

Secretary ESPY. Of the employees currently assigned to individual agencies, there are a total of 33 Schedule C or non-career SES appointments.

Mr. DURBIN. Under the new combined organization, how many total employees will you have in Public Affairs and how many will be Schedule C or non-career SES employees?

Secretary ESPY. At the present time, we are uncertain as to the personnel break down in the new Office of Communications. We have a lot of competent, hard working people on board and as we reorganize, we will need to find other assignments for some of these people. In additional, we will be looking to reduce the staff through attrition, possibly offering incentives to those individuals eligible for retirement over the next few years.

## CONGRESSIONAL LIAISON

Mr. DURBIN. Last year the Committee, during the hearings, pointed out that the number of employees assigned to Congressional Liaison had increased from 33 to 58 over the last 10 years. Since you have proposed to centralize Public Affairs, what are your plans for Congressional Liaison?

Secretary ESPY. I am reviewing the current organization of the Washington headquarters of USDA to develop plans for reorganization of administrative functions such as Congressional Relations. I will be looking at options to reduce costs, particularly in administrative activities, while improving the efficiency and effectiveness of the Department. However, at this time, work has not been initiated on a reorganization of Congressional Relations activities.

Mr. DURBIN. Please submit for the record the number of professional and clerical staff from each agency assigned to Congressional

Relations activities. Would you also provide the cost by agency and how many of the individuals assigned hold Schedule C appointments?

Secretary ESPY. I will provide the information for the record.

[The information follows:]

The number of staff in the agencies assigned to congressional relations activities, and their associated costs, are based on the following:

(1) Numbers are based on FY 1992 data;

(2) Full time equivalent (FTE) estimates, that is, the portion of an individual's time devoted to congressional relations activities, are used for professional and clerical staff amounts. The FTE amounts include both career and Schedule C employees. One hundred percent of an individual's time is equivalent to 1.0 FTE;

(3) With the exception of the USDA Office of Congressional Relations, the estimates exclude senior agency officials who may occasionally have legislative contacts;

(4) The cost estimates reflect only salaries and benefits for the professional and clerical FTE amounts (career and Schedule C employees). Costs associated with travel, training, equipment, and overhead/administrative support are not included; and

(5) The column showing "Schedule C Positions" represents full time Schedule C positions in each agency with congressional affairs responsibilities. The portion of the Schedule C employee's time that is devoted to congressional relations activities in reflected in the FTE Professional or FTE Clerical columns. In addition, in FY 1992 the Food and Nutrition Service (FNS) and Office of Congressional Relations (OCR) each had one noncareer SES position, and OCR had one Presidential appointment with congressional relations assignments. The portion of these employees' time devoted to congressional relations activities is also reflected in the FTE Professional or FTE Clerical columns.

| AGENCY | FTE PROFESSIONAL | FTE CLERICAL | FTE TOTAL | COST (SALARY/BENEFIT) | SCHEDULE C POSITIONS** |
|---|---|---|---|---|---|
| AMS | 2.5 | 1.0 | 3.5 | $ 192,000 | 1 |
| ARS | 3.0 | 2.0 | 5.0 | 217,000 | 0 |
| ASCS | 3.0 | 0 | 3.0 | 148,000 | 0 |
| APHIS | 3.0 | 0.5 | 3.5 | 176,000 | 2 |
| CSRS | 1.3 | 0 | 1.3 | 86,000 | 0 |
| ES | 0.7 | 0.1 | 0.8 | 62,000 | 0 |
| FmHA | 5.0 | 3.0 | 8.0 | 423,000 | 2 |
| FCIC | 2.3 | 0.3 | 2.6 | 145,000 | 3 |
| FNS | 4.1 | 2.0 | 6.1 | 345,000 | 0 |
| FSIS | 2.4 | 1.1 | 3.5 | 141,000 | 2 |
| FAS | 4.0 | 3.0 | 7.0 | 363,000 | 4 |
| FS | 13.0 | 4.0 | 17.0 | 942,000 | 0 |
| HNIS | 0.2 | 0.2 | 0.4 | 14,000 | 1 |
| OICD | 0.3 | 0 | 0.3 | 24,000 | 0 |
| REA | 1.5 | 0.5 | 2.0 | 102,000 | 1 |
| SCS | 2.0 | 0 | 2.0 | 138,000 | 2 |
| Office of CongressionalRelations (OCR) | 12.0 | 3.0 | 15.0 | 1,081,000 | 11 |
| **TOTAL** | **60.3** | **20.7** | **81.0** | **$4,599,000** | **29**** |

** The column showing "Schedule C Positions" represents full time Schedule C positions in each agency with congressional affairs responsibilities. The portion of the Schedule C employee's time that is devoted to congressional relations activities is reflected in the FTE Professional or FTE Clerical columns. In addition, in FY 1992 FNS and OCR each had one noncareer SES position, and OCR had one Presidential appointment, with congressional relations assignments. The portion of these employees' time devoted to congressional relations activities is also reflected in the FTE Professional or FTE Clerical columns.

### PERSONNEL OFFICES

Mr. DURBIN. Are you considering any other functions, such as personnel offices?

Secretary ESPY. As the Committee is aware, I have announced that our national offices will be reorganized and streamlined before action is taken to consolidate or close field offices. We will consider all options including the consolidation or closing of personnel offices both at headquarters and in the field. Similar consideration will be given to other administrative activities where it appears that savings can be realized without losing effectiveness.

### ADVISORY COMMITTEES

Mr. DURBIN. On February 10 the President signed an Executive Order directing each agency of government to reduce the number of advisory committees, not required by law, by 50 percent. What action has the Department taken to comply with this Executive Order?

Secretary ESPY. The Department currently has 71 advisory committees; 47 required by statute and 24 not required by statute. The President's Executive Order requires that not less than one-third of the advisory committees subject to the Federal Advisory Committee Act (but not required by statute) be terminated by the end of fiscal year 1993. In addition, the Order, requires each Department to submit recommendations for termination of unnecessary statutory committees. In response to the President's Order, we are currently reviewing all USDA advisory committees to determine which should be terminated.

Mr. DURBIN. Mr. Secretary, one of the issues in the Executive Order was elimination of unnecessary advisory committees. In the fiscal year 1993 Appropriations Act the Committee reduced the funding for advisory committees of the Department of Agriculture from approximately $1.8 million to $952,000. In doing so, we asked the Department to operate only those committees which provide critical information. We have been advised that the Department, instead of eliminating some unnecessary advisory committees, merely funded each committee at one-half the proposed level. Do you anticipate reconsidering the existing 1993 advisory committees' funding schedule?

Secretary ESPY. It is my understanding that after the Congress reduced the Department's appropriation request for fiscal year 1993, Secretary Madigan directed his subcabinet officials to review the priorities and needs of each advisory committee and develop a budget that was within the level set by the Congress. At that time, it was determined that the trade committees in the International Affairs and Commodity Programs area were a top priority. The trade committees were funded at near the requested level. All other committees were required to reduce expenditures to stay within the appropriate level. In an effort to continue operating at the reduced funding level, most advisory committees will hold fewer meetings and institute other cost saving measures.

I am sure that the funding for these committees will need some adjustment. However, I expect that generally the committees will

remain funded at the reported level in fiscal year 1993 until we determine which committees will be eliminated.

Mr. DURBIN. Will you propose legislation to eliminate some of the committees that are required by law?

Secretary ESPY. Currently, we are reviewing all advisory committees, including statutory and nonstatutory. Following the review, I will determine which statutory committees, if any, should be proposed for termination. The Executive Order requires that we submit a report to the Office of Management within 90 days. This report will include all justifications for the continued existence of all advisory committees and my recommendations for proposed termination. If a decision is made to eliminate any statutory committees, legislation will be sent to Congress.

Mr. DURBIN. Please provide the Committee with a list of all peer review panels, committees, commissions, groups, or boards that will be paid for by the agency, including the cost of each.

Secretary ESPY. I am providing the information you request for the record.

[The information follows:]

Following is a list of USDA Advisory Committees under the Federal Advisory Committee Act (FACA). These committees are financed under the consolidated, departmental appropriation established by the Committee in fiscal year 1983. The amounts shown were planned for committee operations in fiscal year 1993, prior to the President's Executive Order.

USDA ADVISORY COMMITTEES

| Policy Area and Committee Title | 1993 Current Estimate |
|---|---|
| **Office of the Secretary:** | |
| Alternative Agriculture Research and Commercialization Center | $45,698 |
| **Food and Consumer Services:** | |
| Nat'l Adv. Council on Maternal, Infant and Fetal Nutrition | 8,000 |
| Nat'l Adv. Council on Commodity Distribution | 26,600 |
| Dietary Guidelines Advisory Committee | 22,100 |
| National Nutrition Monitoring Advisory Council | 19,900 |
| Advisory Committee on Welfare Simplification and Coordination | 49,978 |
| **Science and Education:** | |
| Nat'l Ag. Res. & Exten. Users Adv. Board | 100,030 |
| National Arboretum Advisory Council | 10,000 |
| Human Nutrition Board of Scient. Counselors | 15,000 |
| Science & Education Nat'l Res. Initiative | 14,000 |
| Advisory Council for Nat'l Genetics Res | 15,000 |
| Animal Health Science Research Adv.Board | 6,500 |
| Cooperative Forestry Res. Adv. Council | 16,000 |
| Committee of Nine | 4,000 |
| Agricultural Biotechnology Res. Adv. Comm. | 40,000 |
| Joint Council on Food and Agricultural Sciences | 100,000 |
| Agricultural Science and Technology Review Board | 20,000 |
| Advisory Council on National Sustainable Agriculture | 14,000 |
| Global Climate Change Technical Advisory Committee | 0 |
| **Marketing and Inspection Services:** | |
| Federal Grain Inspection Svc. Adv. Comm. | 15,000 |
| Nat'l Adv. Comm. on Meat & Poultry Insp. | 10,000 |
| Nat'l Adv. Comm. on Microbiological Criteria for Foods | 41,249 |
| Advisory Committees on: | |
| Foreign Animal and Poultry Diseases | 10,000 |
| Gen. Conf. Comm. of the Nat'l Poultry Improvement Plan | 3,500 |
| Nat'l Animal Damage Control Adv. Comm. | 10,000 |
| National Organic Standards Board | 15,646 |
| **International Affairs and Commodity Programs:** | |
| Agricultural Policy Adv. Comm. for Trade | 14,848 |
| Agricultural Tech. Adv. Comm. for Trade: | |
| Cotton | 13,821 |
| Dairy Products | 13,821 |

| | |
|---|---|
| Fruits and Vegetables | 13,821 |
| Grain and Feed | 14,847 |
| Livestock and Livestock Products | 14,847 |
| Oilseeds and Oilseed Products | 13,821 |
| Poultry and Eggs | 13,821 |
| Sweeteners | 13,821 |
| Tobacco | 13,821 |
| Processed Food | 13,821 |
| **Small Community and Rural Development:** | |
| President's Council on Rural America[1] | 10,253 |
| **Economics:** | |
| Nat'l Ag. Cost of Prod. Standards Review Bd. | 24,273 |
| **Departmental Administration:** | |
| Citizen's Adv. Comm. on Equal Opportunity | 21,788 |
| **Natural Resources and Environment:** | |
| State Technical Committees | 108,375 |

[1]This committee has expired. The estimated amount shown is for administrative costs associated with closeout.

Following is a list of Forest Service advisory committees chartered under provisions of the FACA and their planned expenses for FY 1993. Expenses for these committees are paid from Forest Service appropriated funds (which fall under the Department of Interior appropriation:)

| | |
|---|---|
| Allegheny National Wild and Scenic River Advisory Council (Northern) | $ 14,500 |
| Allegheny National Wild and Scenic River Advisory Council (Southern) | 12,500 |
| Blue Mountain Natural Resources Institute Advisory Board | $ 22,500 |
| Brule River (Wisconsin and Michigan) Study Committee | 8,000 |
| Carp River Study Committee | 8,000 |
| Cascade Head Scenic-Research Area Advisory Council | 0 |
| The Committee of State Foresters | 12,500 |
| Florida National Scenic Trail Advisory Council | 11,500 |
| Grand Island Advisory Commission | 20,000 |
| Little Manistee River Study Committee | 8,000 |
| Mono Basin National Forest Scenic Area Advisory Board | 1,900 |
| Mount St. Helens Scientific Advisory Board | 6,700 |
| National Commission on Wildfire Disasters | 55,550 |
| National Urban and Community Forestry Advisory Council | 37,500 |
| Newberry National Volcanic Monument Advisory Council | 20,775 |
| Nez Perce National Historic Trail Advisory Council | 0 |
| Ontonagon River Study Committee | 8,000 |
| Paint River Study Committee | 8,000 |
| Presque Isle River Study Committee | 8,000 |
| Sturgeon River (Ottawa National Forest) Study Committee | 8,000 |
| Sturgeon River (Hiawatha National Forest) Study Committee | 8,000 |
| Tahquamenon River Study Committee | 8,000 |
| White River Study Committee | 8,000 |

| | |
|---|---|
| Whitefish River Study Committee | 8,000 |
| Wildcat River Advisory Commission | 8,800 |

The following advisory committees are proposed for funding in FY 1993 from user fees:

| | |
|---|---|
| Advisory Committee on Universal Cotton Standards | $47,250 |
| Burley Tobacco Advisory Committee | 34,824 |
| Flue-Cured Tobacco Advisory Committee | 24,498 |
| National Advisory Committee for Tobacco Inspection Services | 27,300 |
| Plant Variety Protection Advisory Board | 8,900 |
| Providing Advice to Emerging Democracies | 55,000 |

The peer review panels sponsored by the Cooperative State Research Service (CSRS) are not advisory committees under the Federal Advisory Committee Act (FACA). CSRS funded peer panels are planned for the following program areas during FY 1993:

| | |
|---|---|
| Higher Education 1890 Capacity Building Grants Program | $ 49,000 |
| Higher Education Graduate Fellowships Program | 18,000 |
| Higher Education Challenge Grants Program | 32,000 |
| Special Research Grants - Aquaculture | 6,000 |
| Special Research Grants - Integrated Pest Management | 49,000 |
| Special Research Grants - Water Quality and Rangeland | 98,000 |
| Biotechnology Risk Assessment Program | 12,000 |
| National Research Initiative Competitive Grants Program | 746,000 |
| Small Business Innovation Research Program | 63,000 |

Peer panel costs include travel, honorarium, rental of meeting rooms, and salary/benefits for six staff years associated with arranging and conducting the peer panels.

## Export Programs

### MARKET PROMOTION PROGRAM

Mr. Durbin. Mr. Secretary, as you know, there has been considerable negative publicity regarding the Market Promotion Program. A number of stories have appeared in the press and on television questioning this program. What are your feelings about the Market Promotion Program?

Secretary Espy. The MPP is an innovative approach to promoting U.S. agricultural commodities and products overseas. It can be particularly effective for promoting value-added products, which receive the preponderance of MPP assistance. At the same time, however, it is critical that the program be administered and carried out effectively and efficiently. I am very aware of the negative publicity which has recently surrounded the program, and we will be reviewing the program to determine what changes may be needed to improve its effectiveness.

Mr. Durbin. The conference report on the fiscal year 1993 appropriations bill contained language which I wrote regarding the Market Promotion Program. That language called on the program to focus its resources on promoting value-added agricultural exports to maximize job creation. It also called on the program to make certain that the content of agricultural products it promotes are predominantly U.S. grown and manufactured. It further stated that promotional funds should be allotted to U.S.-based participants which export agricultural products, and should encourage smaller, medium-sized, and new to export participants. It also stated that the Department should review marketing plans submitted to assure that products are predominantly U.S. grown and manufactured. What changes have been made during the past year in the program to comply with the statement in the conference report?

Secretary Espy. Based on the conference report language, the Foreign Agricultural Service, which administers MPP, has taken a number of steps during the past year to comply with the conferees' instructions. I will submit a summary of those steps for the record.

With respect to the promotion of value-added products, since the program's inception, approximately 80 percent of the funding has been allocated to value-added products, so the program does appear to be meeting the conferees' wishes in this area. Concerning the review of marketing plans to ensure that products are predominantly U.S. grown and manufactured, this is accomplished when the MPP participant's application is reviewed and approved. As you may know, the applicant must certify that the product for which promotional assistance is requested is of at least 50 percent U.S. origin.

[The information submitted for the record follows:]

#### Recent Actions Taken by FAS in the Administration of the Market Promotion Program to Comply with the FY 1993 Appropriations Conference Language

For FY 1993, the formula for allocating MPP assistance has been expanded to include two factors that favor products that are U.S. grown and manufactured. These factors disadvantage foreign produced products in the allocation process.

FAS has conducted outreach/export education programs for small and medium-sized firms through the activities of the State Regional Trade Groups. During FY 1992, these groups sponsored 36 educational seminars in 44 states, attracting 1,000 attendees. This year, more than 375 companies—compared with 269 participants in 1992—applied for participation in the FY 1993 branded promotion programs through these groups. Nearly 80 percent of these companies have fewer than 500 employees.

MPP funding for the State Regional Trade Groups, which mainly promote the export of high value products, has been increased from $11.9 million in FY 1992 to $19.9 million in FY 1993.

Participation in the FY 1993 MMP has been broadened with the addition of 13 first-time MPP participants.

A branded promotion survey for participating MPP firms has been developed to collect information that is currently not available. This will be distributed to the firms once the Department receives approval from OMB in accordance with Paperwork Reduction Act requirements.

## MPP EVALUATION

Mr. DURBIN. The conference report expected the Department to complete an evaluation of MPP by February 1, 1993. What is the status of this evaluation?

Secretary ESPY. FAS considered various options to comply with the report requirement. It was decided that they would conduct a survey of nonprofit participants and firms which participate in the MPP branded promotion program. Because much of the information is not available within the Department, a survey has been developed by FAS staff for distribution to the commodity associations and participating branded firms, which number over 1,100. In accordance with Paperwork Reduction Act requirements, they are consulting with OMB on the content of the survey. Once the data is received and analyzed, an evaluation summary will be prepared on the survey's findings and possible recommendations for the MPP.

## EXPORT ENHANCEMENT PROGRAM

Mr. DURBIN. The Export Enhancement Program was established in 1985 and provided that not less than $500 million of CCC funds and commodities would be made available as bonuses to challenge unfair trading practices and to regain overseas markets for U.S. agricultural commodities. Do you still anticipate a program in the range of $1.2 billion for fiscal year 1993?

Secretary ESPY. Yes, the current estimate for EEP bonus awards during fiscal year 1993 continues to be $1.2 billion.

Mr. DURBIN. At this point in time, what are you anticipating for fiscal year 1994?

Secretary ESPY. For fiscal year 1994, the CCC budget estimates provide a program level for EEP of $1 billion. This is an estimate, of course, and this level could fluctuate somewhat depending upon market conditions and the subsidizing practices of our competitors.

Mr. DURBIN. Would you please provide for the record the total value of bonuses paid, by exporter, since inception of the program?

Secretary ESPY. Yes. I will be pleased to provide that information for the record.

[The information follows:]

# EXPORT ENHANCEMENT PROGRAM (AWARDS: INCEPTION-TO DATE)

25-Feb-1993 EXPORTER AWARDS DATE RANGE 850501-930224 1

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| A. Lubereki Inc. DBA Hidden Villa R | Eggs | 2,815,850.00 | Dozen | $617,863.14 |
| ADM Milling Co. | Semolina | 44,999.55 | Metric Tons | $10,553,971.35 |
| | Wheat Flour | 690,320.45 | Metric Tons | $62,066,172.35 |
| | | | | $72,620,143.70 |
| AGP, L.P. | Wheat | 79,240.00 | Metric Tons | $2,182,507.60 |
| AJC International, Inc. | Frozen Poultry | 12.24 | Metric tons | $4,050.00 |
| Alfred C. Toepfer International, In | Barley | 1,022,999.97 | Metric Tons | $33,644,814.24 |
| | Wheat | 1,868,529.47 | Metric Tons | $58,432,325.05 |
| | | | | $92,077,139.29 |
| Alliance Grain, Inc. | Barley | 25,000.00 | Metric Tons | $949,000.00 |
| | Wheat | 609,623.11 | Metric Tons | $16,468,891.14 |
| | | | | $17,417,891.14 |
| Amber, Inc. | Vegetable Oil | 221,979.36 | Metric Tons | $18,560,731.82 |
| American Marketing Services, Inc. | Dairy Cattle | 13,865.00 | Head | $17,794,865.00 |
| American Poultry Int'l., Ltd. | Frozen Poultry | 4,244.89 | Metric tons | $2,025,127.70 |
| Archer Daniels Midland Company | Vegetable Oil | 65,393.00 | Metric Tons | $5,722,023.27 |
| Artfer Incorporated | Wheat | 3,927,886.75 | Metric Tons | $140,736,584.38 |
| Balfour MacLaine Int'l., Ltd. | Rice | 81,949.14 | Metric Tons | $8,148,363.37 |
| Bartlett and Company | Wheat | 372,991.26 | Metric Tons | $8,306,456.00 |
| | Wheat Flour | 166,998.31 | Metric Tons | $12,233,107.15 |
| | | | | $20,539,563.15 |
| Boro Hall International Limited | Eggs | 47,000.00 | Dozen | $9,400.00 |
| Brown Swiss Enterprises, Inc. | Dairy Cattle | 673.00 | Head | $1,019,820.00 |
| Bunge Corporation | Vegetable Oil | 119,517.63 | Metric Tons | $9,345,820.88 |
| | Wheat | 5,967,758.23 | Metric Tons | $172,377,025.16 |
| | | | | $181,722,846.04 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| CAM USA, Inc. | Barley | 569,767.31 | Metric Tons | $19,378,802.64 |
| | Rice | 10,000.00 | Metric Tons | $674,700.00 |
| | Vegetable Oil | 111,000.00 | Metric Tons | $8,520,510.00 |
| | Wheat | 3,877,644.98 | Metric Tons | $139,655,390.56 |
| | | | | $168,229,403.20 |
| CTC North America, Inc. | Frozen Poultry | 3,416.42 | Metric tons | $1,677,371.80 |
| | Vegetable Oil | 3,000.00 | Metric Tons | $138,000.00 |
| | | | | $1,815,371.80 |
| Calcrown Limited | Rice | 9,999.90 | Metric Tons | $115,984.01 |
| Carey Agri-International, Inc. | Dairy Cattle | 6,028.00 | Head | $13,625,850.00 |
| Cargill Inc. | Barley | 2,009,036.37 | Metric Tons | $68,840,850.63 |
| | Eggs | 636,500.00 | Dozen | $44,815.00 |
| | Frozen Poultry | 5,739.86 | Metric tons | $3,547,126.44 |
| | Sorghum | 68,003.15 | Metric Tons | $1,535,127.55 |
| | Vegetable Oil | 245,497.23 | Metric Tons | $25,658,662.30 |
| | Wheat | 24,265,779.08 | Metric Tons | $799,691,242.74 |
| | Wheat Flour | 764,833.55 | Metric Tons | $62,087,210.63 |
| | | | | $961,405,035.29 |
| Cargill Rice, Inc. | Rice | 15,000.00 | Metric Tons | $687,750.00 |
| Central States Enterprises, Inc. | Wheat | 695,032.34 | Metric Tons | $15,936,869.47 |
| Cereal Food Processors | Wheat Flour | 24,999.74 | Metric Tons | $1,984,140.00 |
| Chilewich Partners | Vegetable Oil | 14,310.00 | Metric Tons | $793,520.00 |
| Columbia Grain International, Inc. | Wheat | 486,800.56 | Metric Tons | $21,116,851.33 |
| Comet Rice, Inc. | Rice | 84,000.00 | Metric Tons | $3,829,000.00 |
| ConAgra International Fertilizer Co | Frozen Poultry | 17,001.02 | Metric tons | $9,940,513.00 |
| ConAgra Poultry Company | Frozen Poultry | 40,238.87 | Metric tons | $29,109,325.75 |
| Conagra International, Inc. | Frozen Poultry | 2,209.00 | Metric tons | $1,060,989.42 |
| Connell Rice and Sugar Co. | Rice | 13,757.50 | Metric Tons | $512,843.75 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| Continental Grain Co. | Barley | 1,244,804.17 | Metric Tons | $38,882,301.16 |
| | Rice | 168,100.25 | Metric Tons | $11,701,988.90 |
| | Sorghum | 92,001.39 | Metric Tons | $2,072,927.67 |
| | Vegetable Oil | 216,499.32 | Metric Tons | $20,176,403.40 |
| | Wheat | 24,429,783.63 | Metric Tons | $760,519,205.53 |
| | Wheat Flour | 194,998.49 | Metric Tons | $16,137,124.28 |
| | | | | $849,489,950.94 |
| Coprostates, Inc. | Barley | 148,604.63 | Metric Tons | $3,567,010.74 |
| | Vegetable Oil | 63,999.34 | Metric Tons | $9,020,782.28 |
| | Wheat | 654,026.88 | Metric Tons | $22,502,757.17 |
| | | | | $35,090,550.19 |
| DSH Livestock International, Inc. | Dairy Cattle | 370.00 | Head | $370,000.00 |
| Decoster Egg Farms | Eggs | 26,661,435.00 | Dozen | $6,947,449.63 |
| Dekker North America, Inc. | Dairy Cattle | 400.00 | Head | $436,000.00 |
| Dolphin Shipping and Trading, Inc. | Eggs | 17,391,788.00 | Dozen | $3,806,077.28 |
| Elders Grain, Inc. | Sorghum | 60,002.78 | Metric Tons | $206,699.53 |
| | Wheat | 37,251.69 | Metric Tons | $1,400,661.20 |
| | | | | $1,607,360.73 |
| Entrade International, Ltd. | Barley | 174,997.69 | Metric Tons | $8,290,345.25 |
| | Wheat | 937,043.42 | Metric Tons | $25,764,443.24 |
| | | | | $34,054,788.49 |
| Esmah Nevada, Inc. | Dairy Cattle | 15,625.00 | Head | $21,662,350.00 |
| Euro-Maghrib, Inc. | Wheat | 215,010.17 | Metric Tons | $4,708,562.34 |
| Exodus Holsteins | Dairy Cattle | 784.00 | Head | $1,275,720.00 |
| Fast Food Merchandisers, Inc. | Frozen Poultry | 23,278.00 | Metric tons | $13,410,984.25 |
| Ferruzzi Trading U.S.A., Inc. | Barley | 99,979.08 | Metric Tons | $1,499,747.20 |
| | Wheat | 6,769,107.68 | Metric Tons | $240,807,698.22 |
| | | | | $242,307,445.42 |
| First Interstate Trading Co. | Dairy Cattle | 271.00 | Head | $461,679.16 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| Fleischmann-Kurth Malting Co. | Barley Malt | 15,949.97 | Metric Tons | $1,389,098.12 |
| Forum Import-Export Corporation | Vegetable Oil | 6,000.00 | Metric Tons | $502,080.00 |
| | Wheat | 20,000.92 | Metric Tons | $709,921.26 |
| | | | | $1,212,001.26 |
| Froedtert Malt Corporation | Barley Malt | 138,638.77 | Metric Tons | $11,904,020.96 |
| Garnac Grain Co., Inc. | Barley | 495,320.06 | Metric Tons | $16,627,806.59 |
| | Sorghum | 39,001.44 | Metric Tons | $298,460.89 |
| | Vegetable Oil | 42,000.00 | Metric Tons | $3,390,470.00 |
| | Wheat | 3,724,841.99 | Metric Tons | $114,105,295.41 |
| | | | | $134,422,032.89 |
| Global Rice Corporation Ltd. | Rice | 19,500.00 | Metric Tons | $976,425.00 |
| Gold Kist, Inc. | Eggs | 8,493,070.00 | Dozen | $3,219,154.26 |
| | Frozen Poultry | 66,795.16 | Metric tons | $43,713,040.75 |
| | | | | $46,932,195.01 |
| Goldberg Commodities, Inc. | Vegetable Oil | 7,000.00 | Metric Tons | $277,550.00 |
| Golden Genes, Inc. | Dairy Cattle | 835.00 | Head | $1,014,284.00 |
| Granplex, Inc. | Wheat | 489,009.84 | Metric Tons | $10,962,187.87 |
| Great Western Malting Co. | Barley Malt | 83,992.72 | Metric Tons | $8,773,311.08 |
| Gress Foods, Inc. | Frozen Poultry | 10,448.60 | Metric tons | $3,922,523.54 |
| Gulf Pacific Rice Company, Inc. | Rice | 17,949.91 | Metric Tons | $1,713,198.51 |
| Hans Olsen Egg Co., Inc. | Eggs | 26,400.00 | Dozen | $3,986.40 |
| Harvest States Cooperatives | Barley | 170,908.58 | Metric Tons | $6,254,890.76 |
| | Wheat | 1,648,783.35 | Metric Tons | $63,809,337.56 |
| | | | | $70,064,228.32 |
| Hefler and Company | Eggs | 3,597,120.00 | Dozen | $843,214.20 |
| Holstein-Fresian Services, Inc. | Dairy Cattle | 4,080.00 | Head | $5,612,170.00 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| ITOCHU International Inc. | Wheat | 938,993.95 | Metric Tons | $22,401,799.25 |
| Incotrade, Inc. | Rice | 4,999.95 | Metric Tons | $439,817.70 |
| International Multifoods Corporatio | Dairy Cattle | 7,000.00 | Head | $5,725,000.00 |
| | Eggs | 54,000.00 | Dozen | $11,205.00 |
| | Frozen Poultry | 170.00 | Metric tons | $90,536.55 |
| | Semolina | 7,999.92 | Metric Tons | $1,817,031.32 |
| | Wheat | 37,000.77 | Metric Tons | $772,349.98 |
| | Wheat Flour | 164,289.90 | Metric Tons | $12,960,731.65 |
| | | | | $21,376,854.50 |
| Interstate Grain Corporation | Wheat | 33,124.65 | Metric Tons | $1,199,137.10 |
| Italgrani USA, Inc. | Wheat | 120,005.47 | Metric Tons | $4,391,991.65 |
| J. Aron and Company | Wheat | 2,600,820.16 | Metric Tons | $85,903,454.29 |
| Kanematsu USA Inc. | Wheat | 25,000.20 | Metric Tons | $436,335.00 |
| Ladish Malting Company | Barley Malt | 3,000.00 | Metric Tons | $132,000.00 |
| Lamex Foods, Inc. | Frozen Poultry | 46.00 | Metric tons | $24,380.00 |
| Land O' Lakes, Inc. | Dairy Cattle | 15,500.00 | Head | $18,380,000.00 |
| Louis Dreyfus Corporation | Barley | 3,548,113.20 | Metric Tons | $114,554,666.45 |
| | Frozen Poultry | 15,639.43 | Metric tons | $10,421,240.27 |
| | Rice | 38,499.96 | Metric Tons | $2,480,645.21 |
| | Vegetable Oil | 112,999.12 | Metric Tons | $11,324,184.72 |
| | Wheat | 19,800,362.55 | Metric Tons | $639,071,150.85 |
| | | | | $777,851,887.50 |
| Luzzs Int'l. Livestock Corp. | Dairy Cattle | 2,500.00 | Head | $3,645,000.00 |
| M. G. Waldbaum Co. | Eggs | 45,000.00 | Dozen | $2,250.00 |
| Marshall Durbin Farms, Inc. | Frozen Poultry | 36.00 | Metric tons | $16,758.72 |
| Marubeni America Corporation | Wheat | 903,004.84 | Metric Tons | $23,371,903.84 |
| McCall Sanders Marketing | Eggs | 769,500.00 | Dozen | $83,642.70 |
| Midwest Livestock Producers | Dairy Cattle | 80.00 | Head | $125,520.00 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| Minnesota Malting Co. | Barley Malt | 5,637.53 | Metric Tons | $483,525.15 |
| Mitsubishi International | Wheat | 2,749,583.08 | Metric Tons | $79,725,199.46 |
| Mitsui & Co. (U.S.A.), Inc. | Wheat | 250,200.00 | Metric Tons | $7,062,654.00 |
| Mitsui Grain Corporation | Wheat | 1,087,775.50 | Metric Tons | $30,609,954.24 |
| National Food Corporation | Eggs | 34,629,889.00 | Dozen | $7,470,693.75 |
| National Sun Industries, Inc. | Wheat | 10,000.00 | Metric Tons | $393,500.00 |
| Nichimen America, Inc. | Wheat | 610,926.38 | Metric Tons | $21,504,939.83 |
| Nissho Iwai American Corp. | Wheat | 667,994.72 | Metric Tons | $14,323,647.05 |
| North American Trading Corporation | Eggs | 102,000.00 | Dozen | $24,378.00 |
| | Frozen Poultry | 20,550.31 | Metric tons | $11,736,453.07 |
| | | | | $11,760,831.07 |
| OleoStates, Inc. | Vegetable Oil | 39,500.00 | Metric Tons | $3,078,925.00 |
| P.S. International | Frozen Poultry | 36.73 | Metric tons | $17,820.00 |
| | Wheat | 25,000.00 | Metric Tons | $712,500.00 |
| | | | | $730,320.00 |
| Peavey Company | Barley | 202,498.16 | Metric Tons | $7,483,816.80 |
| | Barley Malt | 68,057.08 | Metric Tons | $6,554,720.65 |
| | Eggs | 8,044,682.00 | Dozen | $3,384,862.94 |
| | Wheat | 4,942,368.06 | Metric Tons | $164,375,338.73 |
| | Wheat Flour | 410,073.24 | Metric Tons | $32,307,891.07 |
| | | | | $214,106,630.19 |
| Philipp Brothers, Inc. | Vegetable Oil | 25,499.74 | Metric Tons | $3,161,561.75 |
| Pilgrim's Pride Corporation | Frozen Poultry | 20.00 | Metric tons | $10,380.00 |
| Pillsbury Company, The | Frozen Poultry | 4,999.95 | Metric tons | $3,134,941.20 |
| | Mixed Poultry Feed | 188,968.00 | Metric Tons | $16,619,620.00 |
| | Rice | 154,499.53 | Metric Tons | $7,149,948.92 |
| | Wheat | 403,996.82 | Metric Tons | $9,670,724.80 |
| | Wheat Flour | 1,361,378.17 | Metric Tons | $122,857,896.91 |
| | | | | $159,433,131.83 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| Premium Rice Trading, Inc. | Rice | 39,250.00 | Metric Tons | $2,436,575.00 |
| Protimex Corporation | Frozen Poultry | 6,847.61 | Metric tons | $4,112,855.57 |
| Quaker Run Farms, Inc. | Eggs | 1,301,100.00 | Dozen | $268,308.00 |
| Rahr Malting Company | Barley Malt | 16,599.98 | Metric Tons | $1,592,485.10 |
| Red Rock Commodities, Ltd. | Barley | 124,000.00 | Metric Tons | $5,390,600.00 |
| Riceland Foods, Inc. | Rice | 7,268.99 | Metric Tons | $684,931.00 |
| Richco Grain, Ltd. | Barley | 1,673,571.88 | Metric Tons | $65,056,152.52 |
| | Wheat | 1,117,051.56 | Metric Tons | $30,008,748.59 |
| | | | | $95,064,901.11 |
| Romar International Georgia, Inc. | Frozen Poultry | 2,346.98 | Metric tons | $1,188,747.26 |
| Rosscape Food Industries | Frozen Poultry | 1,289.00 | Metric tons | $618,253.00 |
| Seaboard Trading & Shipping Ltd. | Wheat | 48,900.00 | Metric Tons | $1,757,173.00 |
| Sunrice, Inc. | Rice | 44,499.55 | Metric Tons | $4,744,960.58 |
| T.K. International, Inc. | Dairy Cattle | 1,577.00 | Head | $1,490,325.00 |
| The Supreme Rice Mills, Inc. | Rice | 40,800.00 | Metric Tons | $4,935,874.00 |
| Toshoku America, Inc. | Wheat | 130,000.00 | Metric Tons | $3,452,150.00 |
| Tradecom, Inc. | Vegetable Oil | 63,499.57 | Metric Tons | $9,642,404.31 |
| | Wheat | 150,006.90 | Metric Tons | $3,254,944.28 |
| | | | | $12,897,348.59 |
| Tradigrain, Inc. | Barley | 344,879.17 | Metric Tons | $13,019,876.31 |
| | Wheat | 2,257,175.06 | Metric Tons | $71,444,183.31 |
| | Wheat Flour | 46,999.53 | Metric Tons | $3,255,001.51 |
| | | | | $87,719,061.13 |
| Tri Valley Growers | Canned Peaches | 1,657.70 | Metric Tons | $234,887.50 |
| Tyson Foods, Inc. | Frozen Poultry | 371.00 | Metric tons | $170,625.00 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| U.S. Gulf Coast Trading Company | Eggs | 67,500.00 | Dozen | $17,280.00 |
| | Frozen Poultry | 100.00 | Metric tons | $44,900.00 |
| | | | | $62,180.00 |
| USAgri Corp. | Wheat | 180,000.00 | Metric Tons | $6,483,300.00 |
| Union Equity Div. of Farmland Ind., | Sorghum | 60,002.78 | Metric Tons | $1,411,200.00 |
| | Wheat | 4,200,584.70 | Metric Tons | $152,949,922.95 |
| | | | | $154,361,122.95 |
| United Grain Corporation | Wheat | 75,500.00 | Metric Tons | $2,461,035.00 |
| United States Egg Marketers | Eggs | 72,000.00 | Dozen | $15,120.00 |
| Voest-Alpine Trading USA Corp. | Barley | 341,502.37 | Metric Tons | $13,401,427.10 |
| | Wheat | 666,966.14 | Metric Tons | $22,205,750.16 |
| | | | | $35,607,177.26 |
| Western Export Services, Inc. | Eggs | 45,000.00 | Dozen | $8,775.00 |
| Wisconsin Holstein Service, Inc. | Dairy Cattle | 185.00 | Head | $185,000.00 |
| Woodhouse Corporation, The | Wheat | 174,763.86 | Metric Tons | $7,536,053.13 |
| Woodhouse Drake and Carey (Trading) | Rice | 9,999.90 | Metric Tons | $110,230.00 |
| | Wheat | 50,002.30 | Metric Tons | $1,166,666.45 |
| | | | | $1,276,896.45 |
| World Links, Incorporated | Eggs | 912,000.00 | Dozen | $85,830.00 |
| GRAND TOTAL | | | | $5,277,494,888.41 |

### FOREIGN OWNED EXPORTERS

Mr. Durbin. According to the testimony of Secretary Madigan last year, the Department does not keep track of whether these are foreign or U.S. companies. What is your position with regard to the payment of bonuses under the EEP to foreign-owned export companies?

Secretary Espy. Although EEP bonuses are paid to exporters—whether domestic or foreign-owned—the benefits are intended to accrue to U.S. producers. The subsidy on each EEP shipment, which is paid only after the commodities leave the United States, is in effect a reimbursement to the exporters for selling and shipping the U.S.-produced commodity at a below-cost price. Without the subsidy, the exporters is unlikely to sell th U.S.-produced commodity.

Allowing foreign-owned firms to participate in EEP increases the number of companies competing to handle our export sales and maximizes competition among exporters to ensure that producers receive the best price for their commodity. Added competition serves to minimize the EEP bonus that must be paid for each unit of commodity exported.

### CASH PROGRAM

Mr. Durbin. Even though the original plan for the program was to use CCC certificates, which could be redeemed for commodities, the program, in fact, now is a straight cash payment. In view of the fact that these are straight cash payments as opposed to payment in surplus agricultural commodities, does this in any way alter how this program is viewed within the Administration?

Secretary Espy. The change from certificate payments to cash payments under the EEP has not changed the way the Department and OMB view the program. It continues to be scored as budget neutral. Analysis carried out by the Department has shown that the costs of EEP bonuses, whether paid in certificates or cash, are offset by savings in CCC expenditures for price and income support provided the program increases U.S. exports over the levels they would have been in the absence of the EEP. The method of payment of the EEP bonuses is not important to maintaining a budget neutral program, but achieving an increased level of export is.

### EFFECT OF GATT ON EEP

Mr. Durbin. In the event there is a GATT agreement, how will that likely affect the EEP program?

Secretary Espy. While no final Uruguay Round agreement has been reached, the Dunkel Text for the proposed final agreement requires a 24 percent cut in volume of subsidized exports over six years from the 1986–90 base period and a 36 percent cut in the value of export subsidies. The U.S.-EC agreement of last November calls for a 21 percent cut in the quantity subsidized, which is somewhat less than the level provided for in the Dunkel Text.

It is important to emphasize that the United States subsidizes export to counter the export subsidies of other countries, particularly the European Community. Under a GATT agreement that re-

duces subsidized exports, the United States will be able to cut export subsidies and still remain competitive.

Mr. DURBIN. Will the EEP program have to be terminated?

Secretary ESPY. The EEP would not have to be terminated under the terms of the Dunkel Text.

GATT TRIGGER PROVISIONS

Mr. DURBIN. The Omnibus Budget Reconciliation Act of 1990 required that if there is not a GATT agreement by June 30, 1992, the export programs of USDA must be increased by $1 billion during fiscal years 1994 and 1995. To what extent will the 1994 budget reflect this provision of law, and what are the plans for its implementation?

Secretary ESPY. The CCC budget estimates for both fiscal year 1994 and 1995 contain an allowance of $375 million for the costs—that is, higher outlays—of implementing the GATT Trigger provisions contained in the Omnibus Budget Reconciliation Act of 1990, including the mandated increase in export program levels. The allowance provides an amount of outlays which is sufficient to meet the costs of several different options we have for increasing the export program levels by the mandated $1 billion. The CCC estimates will not be specific as to which export programs might be increased since we would rather not alert our competitors regarding our intentions. As you know, the statute requires a $1 billion increase in the export programs authorized by the Agricultural Trade Act of 1978, as amended. These include CCC export credit programs, the Export Enhancement Program, and the Market Promotion Program.

Mr. DURBIN. In view of the budget situation, can we afford a $1 billion increase in export programs?

Secretary ESPY. The GATT Trigger allowance included in the CCC budget estimates is designed to meet the costs of an increase in export program levels should the increase result in higher spending and outlays by CCC. However, it is important to remember that an increase of $1 billion in program level does not necessarily result in an increase in CCC net outlays of the same amount. For example, the EEP is scored as budget neutral, and an increase in EEP programming would not increase CCC net outlays, provided the program continued to achieve higher export levels. In the case of CCC Export Credit Guarantees, the outlays would be based on the estimated credit subsidy for the program which in recent years has been around seven percent of the total program level. The GATT Trigger allowance has been included in the budget to allow us some flexibility in deciding which programs could be increased most effectively, but this does not necessarily mean that all of the $375 million included in the allowance would be used.

Mr. DURBIN. Should the law be amended or repealed?

Secretary ESPY. Because of the current state of the Uruguay Round of multilateral trade negotiations, it is probably not the time to amend or repeal the GATT Trigger provisions. It is important that we keep as much pressure on our negotiating partners as we can. At such time as we reach a successful conclusion to the ne-

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gotiations, we might want to reconsider implementation of these provisions.

### OUTLOOK FOR GATT

Mr. DURBIN. What is your position with regard to GATT, and what is the outlook for reaching a GATT agreement this year, in your opinion?

Secretary ESPY. I support opening markets and providing increased international trading opportunities for America's farmers and ranchers through the General Agreement on Tariffs and Trade. I believe there is the opportunity to reach an agreement in the Uruguay Round negotiations this year. However, reaching an agreement will depend to a large extent on how forthcoming our negotiating partners are.

Mr. DURBIN. Have you had any discussions regarding GATT with the U.S. Trade Representative to date?

Secretary ESPY. Yes, Ambassador Kantor and I have discussed the negotiations and concur on the need for a fair agreement with a significant positive results for American agriculture.

Mr. DURBIN. Do you support a rapid conclusion to GATT negotiations and if so, under what terms and conditions?

Secretary ESPY. I would like to see the negotiations concluded as quickly as possible. However, it must be an agreement that ensures significant benefits for U.S. agriculture.

### SALES TO CIS COUNTRIES

Mr. DURBIN. For the record, would you please provide a table that shows the quantity of commodities sold to the CIS countries under EEP during fiscal years 1991, 1992, and to date for fiscal year 1993? Also, indicate the value of the bonus in connection with each of these commodities by year.

Secretary ESPY. Yes, we will provide that information for the record.

[The information follows:]

U.S. EXPORTS TO THE FORMER SOVIET UNION FOR WHICH EEP BONUSES HAVE BEEN AWARDED

| | Volume (MT) | Bonus |
|---|---|---|
| Fiscal year 1991: | | |
| Wheat | 3,173,145 | $143,206,785 |
| Wheat flour | 47,000 | 3,255,002 |
| Total | | 146,461,787 |
| Fiscal year 1992: | | |
| Feed grains | 299,500 | 10,203,255 |
| Rice | 55,000 | 4,007,200 |
| Vegetable oil | 86,310 | 5,364,410 |
| Wheat | 8,417,745 | 349,596,280 |
| Total | | 369,171,145 |
| Fiscal year 1993 (as of Feb. 26): | | |
| Feed grains | 100,000 | 2,117,000 |
| Wheat | 2,219,420 | 85,111,848 |
| Total | | 87,228,848 |

SALES TO CHINA

Mr. DURBIN. Would you also please provide for the record a table that lists the commodities sold to China during fiscal years 1991 and 1992 and to date for fiscal year 1993? Also, indicate the bonus paid on these sales, by commodity.

Secretary ESPY. I will provide that information for the record.

[The information follows.]

U.S. EXPORTS TO CHINA FOR WHICH EEP BONUSES HAVE BEEN AWARDED

| | Volume (MT) | Bonus |
|---|---|---|
| Fiscal year 1991: Wheat | 5,708,460 | $244,410,711 |
| Fiscal year 1992: | | |
| Vegetable oil | 20,000 | 1,093,600 |
| Wheat | 1,699,400 | 90,538,934 |
| Total | | 91,632,534 |
| Fiscal year 1993 (as of Feb. 26): Wheat | 1,998,075 | 79,930,716 |

GSM-102 AND 103

Mr. DURBIN. The CCC Export Credit Guarantee programs provide for a U.S. Government guarantee of private financing by U.S. lenders of foreign sales by U.S. exporters. The Agricultural Trade Act of 1978, as amended, provides not less than $5 billion in GSM-102 guarantees and not less than $500 million per year in GSM-103 guarantees. Since January 1991, a total of $3.75 billion of these credit guarantees has been made available to the former Soviet Union. In view of repayment problems on the part of Russia, what is the outlook for these programs during the remainder of this year and fiscal year 1994?

Secretary ESPY. With the exception of fiscal year 1992, export sales registrations under the GSM-102 program over the past five fiscal years have ranged between $4.0 and $4.8 billion annually. Registrations peaked at $5.6 billion in fiscal year 1992, primarily because of the size of our guarantee programs with the former Soviet Union, Russia, and Ukraine. At present, it is expected that GSM-102 sales registrations during fiscal year 1993 and 1994 will fall within the historical range. Of course, this will depend to some extent on what develops with the guarantee programs and the former Soviet Union. As you know, registrations of export sales to Russia under the GSM-102 program are currently suspended due to arrearages in their payments to banks on CCC-guaranteed export credit debt of the former Soviet Union and Russia. We are

currently devoting a considerable amount of time and effort to find a solution to this problem.

With respect to the GSM–103 program, it is currently expected that sales registrations under the program during fiscal year 1993 will be around $200 million. This is up significantly from fiscal year 1991 and 1992, because Morocco has been actively using the program to meet its wheat import needs this year. It is uncertain at this point whether Morocco's wheat import requirements will continue at this level during fiscal year 1994.

Mr. DURBIN. During the last two years, what countries have been major recipients of GSM–102 and –103, and what have been the primary major commodities that we have sold to them?

Secretary ESPY. I will provide a table for the record which provides this information.

[The information follows:]

## CCC SHORT–TERM CREDIT GUARANTEE PROGRAM (GSM–102)
## SALES REGISTERED FOR FY 1991 AND FY 1992
## MAJOR RECIPIENTS – COUNTRY BY COMMODITY

(MILLION DOLLARS)

| COUNTRY | COMMODITY | FY 1991 | FY 1992 |
|---|---|---|---|
| Algeria | Cotton | 31.60 | 1.90 |
| Algeria | Dairy Products | 44.00 | 97.00 |
| Algeria | Feed Grains | 124.00 | 98.40 |
| Algeria | Hides and Skins | 1.60 | – |
| Algeria | Leather | 10.50 | – |
| Algeria | Planting Seeds | 3.20 | 16.00 |
| Algeria | Protein Meals | 73.30 | 53.50 |
| Algeria | Pulses | 28.60 | 11.30 |
| Algeria | Rice | 3.30 | 8.70 |
| Algeria | Tallow | 9.60 | 13.90 |
| Algeria | Veg. Oil | 34.40 | 80.22 |
| Algeria | Wheat | 158.00 | 141.00 |
| Algeria | Wood Products | 6.30 | 17.50 |
| Algeria | Wood Pulp | – | 13.90 |
| Algeria | Wood Pulp/Wood Chips | 16.00 | – |
| **Algeria** | **Sub–Total** | **544.40** | **553.32** |
| Korea | Cotton | 194.80 | 195.40 |
| Korea | Feed Grains | 54.50 | 62.10 |
| Korea | Hides and Skins | 2.80 | 7.80 |
| Korea | Oilseeds | 45.00 | 44.90 |
| Korea | Tallow/Greases | 7.30 | 6.10 |
| Korea | Wheat | 159.60 | 155.00 |
| Korea | Wood Products | 6.50 | 6.90 |
| **Korea** | **Sub–Total** | **470.50** | **478.20** |
| Mexico | Barley Malt | 15.60 | 8.80 |
| Mexico | Corn | 163.50 | 71.20 |
| Mexico | Corn Products | – | 1.20 |
| Mexico | Cotton | – | 20.30 |
| Mexico | Eggs, Table | 2.00 | – |
| Mexico | Feed Grains | 277.80 | 395.70 |
| Mexico | Hides and Skins | 3.60 | 1.50 |

## CCC SHORT–TERM CREDIT GUARANTEE PROGRAM (GSM–102)
## SALES REGISTERED FOR FY 1991 AND FY 1992
## MAJOR RECIPIENTS – COUNTRY BY COMMODITY

(MILLION DOLLARS)

| COUNTRY | COMMODITY | FY 1991 | FY 1992 |
|---|---|---|---|
| Mexico | Meat, Frozen and/or Chil | 30.90 | 50.10 |
| Mexico | Oilseeds | 337.80 | 454.70 |
| Mexico | Planting Seeds | 0.90 | 0.40 |
| Mexico | Protein Meals | 84.50 | 100.00 |
| Mexico | Pulses | 12.70 | 0.70 |
| Mexico | Rice | 13.70 | 22.40 |
| Mexico | Table Eggs | – | 4.00 |
| Mexico | Tallow/Greases | 23.60 | 19.50 |
| Mexico | Veg. Oil | 10.00 | 24.10 |
| Mexico | Wheat | 36.00 | 51.60 |
| Mexico | Wood Products | 42.50 | 32.80 |
| Mexico | Wood Pulp/Wood Chips | 45.10 | 49.80 |
| **Mexico** | **Sub–Total** | **1,100.20** | **1,308.80** |
| Pakistan | Veg. Oil | 11.70 | – |
| Pakistan | Wheat | 68.60 | 250.00 |
| **Pakistan** | **Sub–Total** | **80.30** | **250.00** |
| Russia | Feed Grains | – | 222.52 |
| Russia | Protein Meals | – | 125.09 |
| Russia | Tallow | – | 28.25 |
| Russia | Veg. Oil | – | 17.25 |
| Russia | Wheat/Wheat Flour | – | 250.71 |
| **Russia** | **Sub–Total** | – | **643.82** |
| Former Soviet Union (CIS) | Almonds | – | 4.89 |
| Former Soviet Union (CIS) | Feed Grains | – | 498.81 |
| Former Soviet Union (CIS) | Hops | – | 5.17 |
| Former Soviet Union (CIS) | Meat, Frozen Poultry | – | 17.98 |
| Former Soviet Union (CIS) | Protein Meals | – | 310.10 |
| Former Soviet Union (CIS) | Rice | – | 7.96 |
| Former Soviet Union (CIS) | Soybeans | – | 122.30 |
| Former Soviet Union (CIS) | Veg. Oil | – | 56.77 |

## CCC SHORT–TERM CREDIT GUARANTEE PROGRAM (GSM–102)
## SALES REGISTERED FOR FY 1991 AND FY 1992
## MAJOR RECIPIENTS – COUNTRY BY COMMODITY

(MILLION DOLLARS)

| COUNTRY | COMMODITY | FY 1991 | FY 1992 |
|---|---|---|---|
| Former Soviet Union (CIS) | Wheat/Wheat Flour | – | 807.96 |
| **Former Soviet Union (CIS)** | **Sub–Total** | – | **1,831.94** |
| Soviet Union | Almonds | 8.80 | – |
| Soviet Union | Feed Grains | 1,103.20 | – |
| Soviet Union | Hops | 2.00 | – |
| Soviet Union | Meat, Frozen Poultry | 35.30 | – |
| Soviet Union | Protein Meals | 381.00 | – |
| Soviet Union | Soybeans | 123.30 | – |
| Soviet Union | Soy Isolates | 5.70 | – |
| Soviet Union | Wheat/Wheat Flour | 252.50 | – |
| **Soviet Union** | **Sub–Total** | **1,911.80** | – |
| Ukraine | Feed Grains | – | 38.57 |
| Ukraine | Rice | – | 4.96 |
| Ukraine | Wheat | – | 65.49 |
| **Ukraine** | **Sub–Total** | – | **109.02** |
| Venezuela | Feed Grains | – | 6.50 |
| Venezuela | Oilseeds | – | 23.20 |
| Venezuela | Protein Meals | – | 24.60 |
| Venezuela | Tallow/Greases | – | 0.70 |
| Venezuela | Wheat | – | 42.40 |
| **Venezuela** | **Sub–Total** | – | **97.40** |
| **GRAND TOTAL** | | **4,107.20** | **5,272.50** |

## CCC INTERMEDIATE CREDIT GUARANTEE PROGRAM (GSM–103)
## SALES REGISTERED FOR FY 1991 AND FY 1992
## MAJOR RECIPIENTS – COUNTRY BY COMMODITY

(MILLION DOLLARS)

| COUNTRY | COMMODITY | FY 1991 | FY 1992 |
|---|---|---|---|
| Algeria | Breeder Livestock | 0.60 | – |
| Algeria | Feed Grains | 21.70 | 27.30 |
| **Algeria** | **Sub–Total** | **22.30** | **27.30** |
| Jordan | Feed Grains | 4.00 | – |
| Jordan | Rice | 10.00 | – |
| Jordan | Wheat | 10.50 | – |
| **Jordan** | **Sub–Total** | **24.50** | **–** |
| Morocco | Feed Grains | – | 1.80 |
| Morocco | Wheat | – | 16.30 |
| **Morocco** | **Sub–Total** | **–** | **18.10** |
| Tunisia | Feed Grains | 2.50 | 11.30 |
| Tunisia | Wheat | 16.10 | 11.50 |
| **Tunisia** | **Sub–Total** | **18.60** | **22.80** |
| GRAND TOTAL | | 65.40 | 68.20 |

## EXPORT CREDIT VS EXPORT SUBSIDY

Mr. DURBIN. In the context of GATT, is the GSM-102 and -103 program viewed as a subsidy?

Secretary ESPY. Based on the U.S.-EC agreement of November 1992, export credit programs would not be viewed as export subsidies if they meet international credit criteria and disciplines which are to be determined in the future.

## FRENCH CREDIT GUARANTEE

Mr. DURBIN. At the end of January, after we suspended credit guarantees to Russia, six French banks signed a credit guarantee to cover the purchase of 2.5 million tons of grain by Russia. Is this a traditional market for the French or were they moving quickly to fill a void created by the suspension of U.S. credit guarantees?

Secretary ESPY. The recently announced COFACE credit program for sales of 2.5 million tons of grain is a new credit initiative, although this is not the first time COFACE credit has been made available for sales of French commodities of Russia. Under the previous COFACE program, the last shipment of 60,000 metric tons of grain was made in December 1992. In January, France received partial payments on credit arrears in cash from Russia. These payments were insufficient to make new COFACE credit operational immediately, but trade expectations in France are high. The European Community continues to express a willingness to accommodate the French COFACE program by preparing new export licenses. If the new COFACE program becomes operational, the French will be in a good position to maintain and expand their share of the Russian grain market.

## MANDATORY PROGRAMS

Mr. DURBIN. The Market Promotion Program, the Export Enhancement Program, and the credit cost of the GSM-102 and -103 programs are all considered mandatory for budget purposes. These programs cost almost $2 billion per year but are exempt from the ceiling on discretionary spending. Do you think it is appropriate that programs such as these should be essentially exempt from spending ceilings when programs such as the WIC program or meat and poultry inspection have to compete for scarce resources within the ceiling on discretionary spending?

Secretary ESPY. Whether appropriate or not the programs are treated as mandatory spending because the provisions of the Agricultural Trade Act of 1978, as amended, specify minimum annual levels for all of these programs. Consequently, the Department has no alternative but to make these minimum levels available. In addition, all Commodity Credit Corporation spending is categorized as mandatory, so the fact that these programs are authorized to be carried out using the funds and facilities of CCC is another reason these programs are classified as mandatory.

## NORTH AMERICAN FREE TRADE AGREEMENT

Mr. DURBIN. Please describe for the Committee your feelings with regard to the North American Free Trade Agreement.

Secretary ESPY. On balance, the North American Free Trade Agreement—NAFTA—is a good agreement for U.S. agriculture. At the end of the transition period, U.S. agricultural exports to Mexico will be $2.0 billion to $2.5 billion higher than without the NAFTA. Larger exports mean U.S. farmers can utilize more of their productive capacity, and they also translate into greater economic activity and jobs.

Mr. DURBIN. Do you feel any modifications to the Agreement are necessary?

Secretary ESPY. The President has stated that he wants to negotiate supplemental side agreements to the NAFTA on labor, the environment, and import surges. He has also stated that he does not want to reopen the NAFTA text; that is, these side agreements will supplement but not alter the text as currently negotiated. Therefore, we do not anticipate modifications to the NAFTA accord itself.

Mr. DURBIN. To what extent are you concerned that U.S. agribusinesses may move their operations to Mexico to take advantage of lower wage rates?

Secretary ESPY. Wages are only one component of a business's costs, and some U.S. businesses, especially those that are labor intensive, have moved their operations to Mexico. This development has occurred in the absence of a free trade agreement. Given that the long-term effect of the NAFTA will be to raise Mexican wages relative to U.S. wages, the incentive for U.S. companies to move to Mexico should decrease over time. Rather than encouraging U.S. operations to move to Mexico, the NAFTA is intended to encourage additional U.S. exports to Mexico.

Mr. DURBIN. What role will the Department play in assuring that, as agricultural imports from Mexico increase, those imports are held to the same environmental standards as U.S. products or commodities?

Secretary ESPY. Although the NAFTA will likely result in some increase in Mexican agricultural exports to the United States, such increases are expected to be gradual and in line with the phase-out of U.S. border restrictions. Regardless of the volume of imports, the USDA and other government agencies involved in enforcing U.S. standards on plant, animal, and human health and safety will maintain the integrity of U.S. standards. There will be no relaxation of U.S. standards on Mexican agricultural imports as a result of the NAFTA. We maintain the right to prohibit imports that do not meet U.S. standards. In fact, the NAFTA could enhance cooperation on environmental protection and conservation as a result of new long-term programs that will be established under the NAFTA.

### CCC CREDIT GUARANTEES TO POLAND

Mr. DURBIN. CCC assumed approximately $2 billion in loans on which the Communist Government of Poland had defaulted. Poland's debt has been rescheduled through a multilateral agreement which calls for a reduction in that debt of over $1.3 billion, including possibly $500 million in direct export credit and $800 million in export credit guarantee debt. If credit guarantees to Russia and the

Republics are resumed because their debt has been rescheduled, would it be your plans to also resume credit guarantees to Poland?

Secretary ESPY. At the present time, we have no plans to resume making CCC export credit guarantees available to facilitate sales of U.S. agricultural commodities to Poland.

ST. PETERSBURG MODEL FARM

Mr. DURBIN. For over a year now, the Department has been involved in a model farm outside of St. Petersburg, Russia. What is the current status of this farm and what plans do you have for the future of the farm?

Secretary ESPY. An 878 hectare plot of land in the Volkov Region of the Leningrad Oblast has been chosen as the site for the model farm community. The site has been divided into 21 demonstration farms ranging in size from 25 to 65 hectares to be owned and operated by 21 Russian farmers who will work with two American farm families. Twenty-one Russian individuals have been selected to operate the model farms.

The two American farm families chosen to work in the St. Petersburg model farm community have recently arrived in the St. Petersburg area. Also, a professor of soil and water science from the University of Arizona College of Agriculture has recently been selected to be the in-country coordinator of the model farm community. He will serve as a liaison with the government of the City of St. Petersburg and several other Russian organizations which are cooperating in carrying out the project. Political support for the project has remained extremely high in Russia, and the Russian Government has agreed to finance the roads, electricity, and housing for the model farm.

Mr. DURBIN. This farm is supported with CCC funds, as authorized by section 1542(d) of the 1990 FACT Act. What is the annual cost of the St. Petersburg model farm?

Secretary ESPY. For fiscal year 1992, $1.4 million was allocated for the model farm project, and an additional $1.0 million has been allocated for fiscal year 1993. Because the program is just getting underway, only about $600,000 has actually been spent on the project to date.

Mr. DURBIN. What agencies within the Department are involved with this project and what is the cost to each agency?

Secretary ESPY. The model farm project is being coordinated by the Extension Service and the amounts discussed in answer to your previous question have been allocated to the Extension Service. These amounts include the costs to the Extension Service of administering the project.

The program of sharing U.S. agricultural expertise with emerging democracies, of which the Russian model farm is one component, is being administered by the Foreign Agricultural Service. The costs to FAS of administering the program are being met through the agency's appropriated funding.

Mr. DURBIN. Section 1542(d) also authorizes the sharing of U.S. agricultural expertise with emerging democracies and requires that such activities be carried out in at least three countries per year.

What is being done in this regard in fiscal years 1992, 1993, and 1994?

Secretary ESPY. We are carrying out a variety of technical assistance activities in the emerging democracies under this authority. These activities have been developed in consultation with our foreign agricultural affairs officers responsible for the target countries, experts in a number of different agencies of the Department, and various private sector experts. I will provide for the record a list of the technical assistance activities for each country during fiscal year 1992 and 1993. The specific allocations for fiscal year 1994 have not yet been made and will not be for several months. Nevertheless, it is safe to assume that the types of activities that have been carried out over the last two years are likely to continue.

[The information follows:]

EMERGING DEMOCRACIES PROGRAM

**FY 1992 Budget/Obligations and Expenditures**

As of 30 October 1992

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**NICARAGUA** Total Budget $ 120,000

| Activities | Obligated | Country Total |
|---|---|---|
| OICD Reimbursable/Training | $ 108,857 | |
| Follow up Team | $ 11,004 | |
| | | $ 119,861 |

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**BULGARIA** Total Budget $ 1,270,000

| Activities | Obligated | Country Total |
|---|---|---|
| Assessment Team | $ 73,694 | |
| ERS Reimbursable/Policy Advisor | $ 335,000 | |
| OICD Reimbursable/Training | $ 250,000 | |
| AMS Reimbursable/F&V, Mkt News | $ 400,000 | |
| OICD Reimbursable/Training | $ 209,895 | |
| | | $ 1,268,589 |

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**CZECHOSLOVAKIA** Total Budget $ 740,000

| Activities | Obligated | Country Total |
|---|---|---|
| Iowa State/Training | $ 24,260 | |
| OICD Reimbursable/Training | $ 457,241 | |
| OICD Reimbursable/Training | $ 166,523 | |
| Amdahl Contract | $ 13,889 | |
| Assessment and Follow up | $ 54,345 | |
| Wholesale Markets | $ 13,065 | |
| | | $ 729,323 |

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RUSSIA Total Budget $ 2,600,000

| Activities | Obligated | Country Total |
|---|---|---|
| ES Reimbursable/Armenia, St.P | $ 100,000 | |
| AMS Reimbursable/Wholesale Mkt | $ 54,000 | |
| AMS Reimbursable/Wholesale Mkt | $ 420,000 | |
| ES Reimbursable/Model Farm | $ 1,370,000 | |
| ES Reimbursable/Policy Advisor | $ 370,000 | |
| Wholesale Markets Activities | $ 252,797 | |
| Far East | $ 220 | |
| | | $ 2,567,017 |

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CIS Total Budget $ 3,400,000

| Activities | Obligated | Country Total |
|---|---|---|
| OICD Reimbursable/Training | $ 1,500,000 | |
| OICD Reimbursable/Training | $ 963,000 | |
| OICD Reimbursable/Grain Training | $ 500,000 | |
| OICD Reimbursable/Policy Advisor | $ 200,000 | |
| OICD Reimbursable/LEP | $ 100,000 | |
| Loaned Exec Program Team | $ 73,450 | |
| Travel Activities | $ 2,000 | |
| | | $ 3,338,450 |

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BALTICS Total Budget $ 605,000

| Activities | Obligated | Country Total |
|---|---|---|
| OICD Reimbursable/Assessment | $ 305,000 | |
| OICD Reimbursable/Poultry | $ 298,577 | |
| | | $ 603,577 |

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**POLAND** Total Budget $ 415,000

| Activities | Obligated | Country Total |
|---|---|---|
| AMS Reimbursable/Wholesale Mkt | $ 113,000 | |
| ES Reimbursable/Business Plans | $ 302,000 | |
| | | $ 415,000 |

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**HUNGARY** Total Budget $ 330,000

| Activities | Obligated | Country Total |
|---|---|---|
| Contract/Experience, Inc. | $ 324,918 | |
| Travel Activities | $ 2,129 | |
| | | $ 327,047 |

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**GENERAL** Total Budget $ 520,000

| Activities | Obligated | Country Total |
|---|---|---|
| OICD Reimbursable/Training (Eastern Europe) | $ 500,000 | |
| Advisory Committee | $ 7,928 | |
| Publications | $ 2,891 | |
| | | $ 510,819 |

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TOTALS

| | | |
|---|---|---|
| Nicaragua | $ 120,000 | $ 119,861 |
| Bulgaria | $ 1,270,000 | $ 1,268,589 |
| Czechoslovakia | $ 740,000 | $ 729,323 |
| Russia | $ 2,600,000 | $ 2,567,017 |
| CIS | $ 3,400,000 | $ 3,338,450 |
| Baltics | $ 605,000 | $ 603,577 |
| Poland | $ 415,000 | $ 415,000 |
| Hungary | $ 330,000 | $ 327,047 |
| General | $ 520,000 | $ 510,819 |
| | $10,000,000 | $ 9,879,683 |

EMERGING DEMOCRACIES PROGRAM

Tentative FY 1993 Program Budget

**EASTERN EUROPE**

| | | |
|---|---|---|
| Baltics | | |
| Feed: Dairy | | $ 300,000 |
| Estonia | $ 100K | |
| Latvia | $ 100K | |
| Lithuania | $ 100K | |
| Czechoslovakia | | |
| Wholesale markets/fruits and vegetables | | $ 1,000,000 |
| Czech Republic | $ 500K | |
| Slovak Republic | $ 500K | |
| Joint ventures/processed foods | | $ 300,000 |
| Management - trading, dairy companies | | $ 100,000 |
| Agribusiness investment, trade assessment | | $ 400,000 |
| Poland | | |
| Wholesale markets | | $ 50,000 |

**FORMER SOVIET UNION**

| | |
|---|---|
| Technical Assistance | |
| Wholesale markets - Russia, Ukraine, Kazakhstan | $ 750,000 |
| Model farm - Russia | $ 1,000,000 |
| Loaned executives and training | $ 1,500,000 |
| Training/approved technical assistance projects | $ 1,000,000 |
| Model farm - Tatarstan (Texas A & M University) | $ 300,000 |
| Trade/Investment | |
| Russian Far East - Agribusiness investment, trade assessment | $ 350,000 |

**NEW INITIATIVES/ASSESSMENTS TO OTHER REGIONS**

| | |
|---|---|
| El Salvador | |
| Agricultural Assessment | $ 200,000 |

**ADVISORY COMMITTEE**

| | |
|---|---|
| Committee, Sub-committee Meetings | $ 50,000 |
| **TOTAL TO DATE** | $ 7,300,000 |

### YEARBOOK OF AGRICULTURE

Mr. DURBIN. The Yearbook of Agriculture is required by law to be designed so as to advise and instruct farmers. What will you do to assure that this is a book designed to do just that, advise and instruct farmers, and what is planned to be its next topic?

Secretary ESPY. I have made my commitment to providing quality programs and services to farmers, ranchers, and consumers clear to managers and employees throughout the Department. The Office of Public Affairs has a particular charge to be fully responsive to the needs of the communities we serve. I will direct the staff to pay particular attention to the Yearbook in meeting these goals. Further, I will review their efforts and personally select the topic for the 1994 Yearbook.

Recent Yearbooks have emphasized information to help farmers compete in today's highly competitive market environment—for example, new industrial crops, marketing, farm management, and the environment. The 1993 Yearbook of Agriculture will deal with nutrition and will indicate trends in demands for various foods.

Mr. DURBIN. Have any studies been conducted in recent years to determine the extent to which farmers use the Yearbook?

Secretary ESPY. I am not aware of any such studies.

Mr. DURBIN. What is the total cost to prepare and print the Yearbook and what is the cost per copy?

Secretary ESPY. The total estimated cost to prepare and print in the 1993 Yearbook is $450,000. The cost per copy is $3.20.

Mr. DURBIN. How many of these books were sold in each of the past 10 years and what was the sales price per copy?

Secretary ESPY. I will be happy to provide that for the record.

[The information follows:]

*GPO sales and prices for the past 10 yearbooks*

| | |
|---|---|
| 1982 Food from Farm to Table ($12.00) | 5,916 |
| 1983 Using Our National Resources ($7.00) | 5,501 |
| 1984 Animal Health—Livestock and Pets ($10.00) | 8,799 |
| 1985 U.S. Agriculture in a Global Economy ($10.00) | 4,481 |
| 1986 Research for Tomorrow ($9.50) | 4,196 |
| 1987 Our American Land ($9.50) | 3,845 |
| 1988 Marketing U.S. Agriculture (9.50) | 4,421 |
| 1989 Farm Management ($10.00) | 4,625 |
| 1990 Americans in Agriculture ($10.00) | 3,114 |
| 1991 Agriculture and the Environment ($12.00) | 2,301 |

Mr. DURBIN. We see that the number of books sold in 1984 was almost twice as many as other years. Can you explain why?

Secretary ESPY. The 1984 Yearbook, *Animal Health—Livestock and Pets,* was popular with a broad readership, including veterinarians, pet owners, and farmers involved in animal husbandry. In addition, this book was promoted heavily.

### DELANEY CLAUSE

Mr. DURBIN. A number of individuals have called for amending the Delaney Clause. In fact, President Bush's fiscal year 1992 budget stated that legislation would be submitted to Congress to modernize the Delaney Clause. What is your position with regard to changing the Delaney Clause?

Secretary ESPY. I am very concerned that agriculture is provided with safe and effective chemicals to assist production. At this time the Clinton Administration is reviewing what steps need to be taken to permit greater availability of safer agricultural chemicals. We have not decided upon a specific course of action to take.

### OPTIONS PILOT PROGRAM

Mr. DURBIN. The 1990 Farm Bill authorized a pilot program for options trading for farmers. The Technical Corrections Bill, which passed in 1991, directed USDA to take the funds directly from other sources. We understand that the implementation of the program has run into some tax problems. Are you going forward with the options pilot program, and have you finalized the rules that apply to it?

Secretary ESPY. We hope we will be able to resolve problems concerning tax treatment of losses incurred in futures trading, and we are going forward with the Options Pilot Program. Rules for the pilot program to be published in the Federal Register are in final clearance, and signup for the Options Pilot Program should coincide with the start of signup for the commodity programs on March 1, 1993.

Mr. DURBIN. Would you tell us which counties and states will have a program and which crops will apply?

Secretary ESPY. Certainly. Corn producers in three counties each in Illinois, Indiana and Iowa, and wheat and soybean producers in the same three Illinois counties will be eligible to participate. The Illinois counties are Champaign, Logan and Shelby; in Indiana, Carroll, Clinton and Tippecanoe; and in Iowa, Boone, Grundy and Hardin.

Mr. DURBIN. What is the total cost of this program?

Secretary ESPY. Budget estimates for fiscal year 1994 assume outlays of $16.1 million for the Options Pilot Program in 1993. These costs included $13.0 million in premium cost, $2.7 million in incentive payments, $0.4 million in delivery and administrative expenses. An additional $0.1 million in administrative costs for the 1993 program would be obligated in 1994. However, the premiums paid to farmers to purchase trading options which would lock in gains equivalent to deficiency payments would over time be equivalent to the deficiency payments. Thus, the net cost of the program would equal the cost of the incentive payments and program administration.

Mr. DURBIN. This project is authorized to go through fiscal year 1995. What do you anticipate the total cost of this program to be?

Secretary ESPY. The budget does not include costs of extending the 1993 pilot program to the 1994 and 1995 crops. The cost of the 1993 pilot program is estimated to total $16.1 million in fiscal year 1993 and $0.1 million in fiscal year 1994. As mentioned above after adjustment for savings in deficiency payments, the net cost of the pilot program would be about $3.1 million in 1993 and $0.1 million in 1994.

### RESOURCE CONSERVATION AND DEVELOPMENT

Mr. DURBIN. The Resource Conservation and Development Program is considered one of the better rural development programs. Funds provided by the Soil Conservation Service for this program are leveraged against local funds sometimes as much as 30 to 1. Do you have any plans to move this program to the Rural Development Administration?

Secretary ESPY. Proposals for the Rural Development Administration are still being developed and moving the Resource Conservation and Development Program to this new agency will certainly be considered.

Mr. DURBIN. In light of your efforts to expand rural development, do you expect to expand the use of RC&D's?

Secretary ESPY. At this time, we do not anticipate adding to the number of authorized RC&D areas in 1994. However, we may consider expanding the size of some of the currently authorized areas within available funds.

### CONSERVATION PROGRAMS

Mr. DURBIN. Mr. Secretary, for years this Committee and Congress has supported the conservation programs, both those under the Soil Conservation Service and those under the Agricultural Stabilization and Conservation Service. Since the passage of the 1985 Farm Bill requiring conservation compliance for farmers to participate in USDA programs, the Department's ability to provide technical assistance to farmers has been of utmost importance. While most conservation compliance plans have been completed by the Soil Conservation Service, implementation of those plans is far from done. We continue to hear from states that farmers are unable to get technical assistance in a timely fashion and, in some cases, implementation of farm plans is extremely expensive because of the type of practice required to be in compliance. How will your proposed single Farm Service Agency impact the Soil Conservation Service?

Secretary ESPY. We intend for the proposed Farm Service Agency to have a significant positive impact on how USDA conservation programs are carried out. The purpose of creating a single Farm Service Agency would be to reduce administrative and overhead costs, increase productivity, streamline agency operations, and improve delivery of services to farmers.

Mr. DURBIN. What can you do to ensure SCS's ability to assist farmers in implementing conservation compliance?

Secretary ESPY. As an advocate of conservation compliance, I will see to it that the implementation of conservation compliance plans will continue to be a high priority activity within the Department. Regardless of how a new Farm Service Agency is structured, field office staff will continue to provide the technical assistance needed by farmers to install their conservation plans. We do not want any farmer or rancher to have their USDA program benefits jeopardized because this assistance was not available.

Mr. DURBIN. Many feel that conservation measures are best done when the farmer wants to do them rather than being forced to do them. We continue to hear that farmers would like to do additional

conservation practices but are unable to get technical assistance on routine things because SCS is completely tied up doing compliance work. The last three years, the Committee has provided report language directing that SCS return to its basics of providing technical assistance for the farmers who need it and want it. Tell us how your budget request for Conservation Operations will address these two issues.

Secretary ESPY. We agree that it is desirable for farmers to install conservation measures voluntarily rather than force the measures on them. However, we are required to implement the conservation compliance provisions of the 1985 and 1990 Farm Bills. About half of the States currently have a conservation compliance workload that exceeds the number of staff available to provide the technical assistance to implement farmers' conservation plans. For this reason, it is difficult to provide anything but Farm Bill work in these States. However, the other States can and do provide a great deal of the basic technical assistance for farmers who want to improve their operations. We believe that the situation should ease after farmers have completed the installation of their conservation plans which must be fully implemented by December 31, 1994.

## SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)

Mr. DURBIN. Mr. Secretary, during last year's hearing we discussed with then Secretary Madigan WIC participation and he provided us with a table showing the WIC eligibility and participation rate estimates for 1990. Would you please update this table for us?

Secretary ESPY. Yes. I will submit such a table for the record.

[The table requested follows:]

| | 1991 eligible (000) | Calendar year 1991 partic. (000) | 1991 coverage (percent) | 1990 eligible (000) | Calendar year 1990 partic. (000) | 1990 coverage (percent) |
|---|---|---|---|---|---|---|
| Pregnant woman | 819 | 730 | 90 | 765 | 659 | 85 |
| Postpartum & breastfeeding | 876 | 425 | 50 | 818 | 381 | 45 |
| Infants | 1,762 | 1,603 | 90 | 1,646 | 1,444 | 90 |
| Children | 5,173 | 2,296 | 45 | 4,950 | 2,063 | 40 |
| Total | 8,630 | 5,054 | 60 | 8,178 | 4,548 | 55 |

## WIC ELIGIBLES STATE BY STATE

Mr. DURBIN. Former Secretary Madigan also told us that when census data became available, FNS would be able to provide the number of WIC eligibles by state as well as national estimates. Is this data available?

Secretary ESPY. The Census data has been made available to USDA and we are working to provide States with the number of income eligible persons by county as required by statute. We expect to complete the work by Spring 1993.

## WIC FULL FUNDING TIME TABLE

Mr. DURBIN. The President's economic stimulus request includes $75 million for WIC as a down payment on the long-term plan to provide full funding by 1996. Provide the Committee with a time frame, including funding levels, to achieve full participation and keep program integrity without overloading the system.

Secretary ESPY. Full funding for WIC is an important investment in our Nation's future. As you have indicated, to begin working towards full funding in 1996, we have already asked Congress for $75 million in supplemental funding for WIC in fiscal year 1993, enough to add 300,000 new participants to the Program. In addition, we are asking for a $350 million increase in fiscal year 1994, for a total funding request of $3.3 billion. For fiscal years 1995 and 1996, we currently estimate need at $3.6 billion and $3.9, respectively. Obviously, increases of this magnitude will have to be monitored closely because they will place great pressure on the States to build infrastructure and accommodate new participants in an orderly fashion. We will continue to work with States to assure that local WIC agencies are able to increase the number of persons served while at the same time maintaining the quality of services to participants and overall program integrity.

## FOOD SAFETY AND INSPECTION SERVICE

Mr. DURBIN. The President's fiscal year 1994 proposal includes an additional $18 million to continue efforts to fully staff the meat and poultry inspection program. How many additional inspectors will $18 million provide and how many and at what cost will be required to fully staff the program?

Secretary ESPY. The 1994 proposal includes $10 million to continue efforts to fully staff the meat and poultry inspection program. This includes $8 million to annualize the cost of the 160 inspectors in President Clinton's economic stimulus package, and $2 million to hire and train an additional 40 inspectors in 1994. The remaining $8 million will be devoted to conducting scientific investigations and studying methods for improving meat and poultry inspection systems.

Mr. DURBIN. A USDA inspector is on record as saying that more food poisonings will occur as a result of imported meat coming through Canada under the U.S.-Canada Free Trade Agreement. How do you answer these charges?

Secretary ESPY. Meat coming through Canada to the United States is subject to Canadian import and domestic inspection and then subject to our import inspection. Moreover, since a majority of product from Canada is further processed in the United States, the meat is subject to our domestic processing inspection. It is highly unlikely, therefore, that more food poisoning will occur as a result of imported meat coming through Canada under the U.S.-Canada Free Trade Agreement.

Mr. DURBIN. Describe for the Committee the meat inspection process as it relates to the Free Trade Agreement and the impact it has had on imports.

Secretary ESPY. The U.S.-Canada Free Trade Agreement does not prescribe inspection procedures and it does not supersede our meat

and poultry inspection laws. Under our meat and poultry inspection laws, we have determined Canada to have a system of inspection at least equal to ours and have permitted Canada to export production to the United States. Meat entering the United States from Canada is subject to import inspection and, if used in further processing, is subject to domestic processing inspection.

Mr. DURBIN. Is a similar plan being considered under NAFTA?

Secretary ESPY. The North American Free Trade Agreement would be similar to the U.S.-Canada Free Trade Agreement in that it would not prescribe inspection procedures and would not supersede our meat and poultry inspection laws. Meat and poultry products entering the U.S. from Mexico would be subject to import inspection and, if used in further processing, subject to domestic processing inspection.

Mr. DURBIN. The *Atlanta Journal* has reported that you are looking into the use of a new test developed by a University of Georgia scientist to detect *E. coli* in milk and meat. What is this test and does it show promise?

Secretary ESPY. The test is an Enzyme Linked Immunosorbant Assay (ELISA) test for *E. coli.* This test shows promise, because currently available tests are not as specific.

## USER FEES

Mr. DURBIN. Mr. Secretary, you have indicated that the budget will not contain any gimmicks. While we have no specifics on your proposals, we do note from what information we do have that you propose user fees for several agencies of USDA, such as the Agricultural Marketing Service, the Federal Grain Inspection Service, and the Agricultural Cooperative Service. User fees have been proposed off and on for the past 12 years. Do you have any indication that they will be better received in Congress than they have in the past?

Secretary ESPY. Yes, we do expect them to be better received largely because the expansion of user fees are included as a part of the comprehensive package to reduce the deficit.

Mr. DURBIN. For the last several years, the President's budget requests have proposed a number of new user fees as a means of reducing Federal spending. What is your position with respect to user fees and do you anticipate requesting them? What would be some examples of user fees that you would consider to be appropriate?

Secretary ESPY. The concept of user fees is that taxpayers should not subsidize a service which provides direct benefits to identifiable users. We will make specific requests in the 1994 budget. An example of such services includes the fees for weighing and inspecting of grain and overtime for meat and poultry inspection.

Mr. DURBIN. President Clinton's economic stimulus package includes a savings of $14 million in 1994 from expansion of user fees. Specifically, how will this savings occur?

Secretary ESPY. In the President's "A Vision of Change for America," the savings will occur as the Federal Grain Inspection Service, Agricultural Marketing Service, and Agricultural Cooperative Service recover costs for Federal services being provided to

specific users of commodity standards and for cooperative technical assistance.

CROP INSURANCE

Mr. DURBIN. Of great interest to all of us who serve rural districts is the creation of a single Farm Agency proposed by you and the Administration. You state that the agency would include the Agricultural Stabilization and Conservation Service, the Soil Conservation Service, the Federal Crop Insurance Corporation, and the Farmers Home Administration. Let us focus on one piece of that for right now and that is the Federal Crop Insurance Corporation. As you are probably aware, this Committee has over the years indicated its interest in letting the ASCS offices sell crop insurance. The theory being that almost all farmers have to visit ASCS offices at sometime and there doesn't seem to be any reason why you couldn't allow an employee within the ASCS office to be dedicated to the sales and service of crop insurance and in many, but probably not all counties, be the sole seller of crop insurance. This would eliminate farmers having to deal with private insurance agents and eliminate the Federal Government from having to pay 33–34 percent of premiums as commissions to provide insurance agents, thereby saving those funds. Additionally, the GAO and the IG have, for years, criticized the loss adjustment responsibilities and activities of private insurance companies and this would bring back loss adjustment into the Federal fold, hopefully, providing significantly more savings in that area also. As part of your reorganization, have you considered the Committee's suggestions and taken any of those ideas into consideration?

Secretary ESPY. Yes, Mr. Chairman, we have considered those proposals, as well as others. The area-wide coverage concept, for example, could be delivered by either the private insurance system or the ASCS offices. A primary advantage of the area-wide concept is that it would eliminate individual loss adjustment.

LOW PRIORITY AGRICULTURAL RESEARCH

Mr. DURBIN. You have stated that one way to reduce the budget is to eliminate low priority agricultural research. It appears that the definition of low priority means any special grant provided by Congress. Over the years, the area of aflatoxin in corn, cotton, and peanuts has been of significant concern to those growers. In my home state of Illinois, certainly aflatoxin has serious potential for damaging the incomes of my producers. As you may be aware, there are special grants that target aflatoxin research and I can assure you that producers do not consider this research to be low priority. What assurances do we have from you that the definition for low priority will not blanket all research that is not proposed by you, and that you take into account the interest of Members of Congress?

Mr. ESPY. I am sensitive to the interests of Members of Congress. Our approach in funding research in the 1994 budget is to provide increases consistent with the baseline for formula programs which provide discretionary resources for the States to direct to needs which are identified by their producers and consumers. Building on

this base, we are proposing an increased investment in the National Research Initiative. This program provides a mechanism for input from a wide range of producer and consumer interests in developing program priorities and then targets the grant funds to the most highly qualified scientific proposals which are submitted to address the identified priorities.

FOOD STAMP PROGRAM

Mr. DURBIN. I would like to address a few questions to a program which is very controversial and one which each of us on this panel, I am sure, has faced our constituents in trying to explain, and that is the Food Stamp Program.

President Clinton has suggested that he wants to change welfare in America as we know it. He has said that welfare should be a second chance and not a way of life. He has also suggested that we reinvent government, and certainly there are many people who think that that re-invention should start with this program.

A few days ago we had representatives here from the Inspector General's office, and we learned of the 850 employees in that office. Half of them spend their time monitoring the Food Stamp Program. When you consider the number of Americans involved in the program, the opportunity for abuse and the reported abuse, it is no wonder.

Secretary ESPY. Yes.

Mr. DURBIN. In fact, I am sure that the Inspector General could devote his entire agency to this one program and be able to show at the end of a fiscal year that it was time well spent.

My question to you is rather fundamental, and it is this: Do you feel that in this debate on reforming welfare that we should start with the premise that we have to justify the Food Stamp Program from the beginning? In other words, should we start with the premise that perhaps we need a new program approach, one which is not so open to abuse and fraud and still serves the needy people in America?

Secretary ESPY. That is a good question, Mr. Chairman. I would say that we do not need a new program. I think the program suffers from a lot of abuse, abuse at the recipient level, abuse at the provider level, particularly with regard to some of the grocery stores that do not always follow the guidelines and regulations of USDA. But I would hate to say that we need a new program. I think that it is well worth our time to try to reduce the numbers of folks on the program, reducing therefore the government outlays with regard to the program itself.

Of our $62 billion budget, fully 52 percent is involved in food and nutrition programs, and a great deal of that involved in Food stamp outlays. It would be my pleasure to reduce these total outlays if we could truly have an economic stimulus program and a long-term investment program which would benefit people in rural America and all across the country, providing them jobs and therefore no longer the need for them to be on this Food Stamp Program.

So I would say we do not need a new program. We need a better program. We could tighten the guidelines, perhaps tighten some of the eligibility standards. But a new program, I would say no.

Mr. DURBIN. The President's fiscal year 1994 proposal includes $1 billion for the Food Stamp Program and $9.0 billion over the next four years to increase benefits and help offset the effects of the proposed energy tax on low-income households. Is this in addition to benefit increases adjusted for inflation?

Secretary ESPY. Yes. Food Stamp COLAs will take place as required by the law.

### FOOD STAMP INCREASES TO OFFSET BTU TAX

Mr. DURBIN. Specifically, how will this increase be used to offset the proposed energy tax?

Secretary ESPY. We are not planning to complicate Food Stamps with a specific energy cost deduction or provision that tailors the offset specifically to household energy use. Such a scheme would require variable rates by season, region of the country, and types of fuels used; plus, it would be very difficult to monitor. Rather, we will propose adjustments to program eligibility and benefit determinations to assure low-income households are not adversely impacted.

### FOOD STAMP ESTIMATES

Mr. DURBIN. The program has grown from an appropriation of $13.6 billion in 1989 to $28.1 billion in 1993. How realistic can this number be given the size and history of the program?

Secretary ESPY. The Food Stamp Program has grown in 3 major ways, each adding to the cost of the program. First, in response to the weak economy participation increased 45 percent, from 18.8 million per month in 1989 to an estimated 27.3 million in 1993. Second, the maximum monthly food stamp allotment for a family of four increased 23 percent, from $300 in 1989 to $370 in 1993, to reflect food prices and real increases provided for under the Hunger Prevention Act of 1988. And third, the average benefit actually received increased from about 64 percent of the maximum allotment to about 68 percent. The forecasts used to determine the fiscal year 1993 appropriation still appear to be accurate. There is, however, always some uncertainty in predicting program participation and costs. That is why a reserve of $2.5 billion was appropriated in 1993 and why we will request a reserve of $5.0 billion in 1994.

### STATE ADMINISTRATIVE EXPENSES

Mr. DURBIN. In your statement you say that beginning April 1, 1994, all state welfare administrative expenses would be limited to a 50-percent match with Federal funds. Please explain this in further detail.

Secretary ESPY. Currently the Food Stamp administrative expense match exceeds 50 percent in several areas. A level of 75 percent is provided for fraud investigations and prosecutions and a level of 63 percent is provided for States developing approved, new computer systems. In fiscal year 1992 these provisions have resulted in about $33 million being provided to the States above a straight 50 percent match. Quality Control System Incentives are not considered part of the State administrative expense matching program.

### WELFARE REFORM PROGRAM

Mr. DURBIN. If the President is going to embark on this welfare reform program, is that program embodied in this budget message that we have just received, or is that another undertaking that will happen in the future?

Secretary ESPY. The President's welfare reform agenda, as I see it, and, again, I am very careful to say that this is my opinion, because even though I am on the Welfare Reform Task Force, I do not believe we have met, at least where I was involved in it. The welfare reform agenda is couched on the premises that we have to change a consumption-based system to an asset-based system; to move from a system where we just maintain individuals monthly on transitional support; to move into an asset-based system where they have education, child care, job training, some incentive to save money through several mechanisms that we will be discussing; and the ability to take advantage of a much more liberalized credit program, even down to the point of credit for microenterprise programs. This is the point we want to reach.

And, also, to change some of the arcane and insane, in my opinion, regulations that we have now that tend to give individuals disincentives to save. This is what we would like to do, but I am not aware of any part of this that talks about revolutionary or fundamental changes in the Food Stamp Program. I mean, it is very basic. It is very fundamental. Folks do need food out there, and to me reforming the Food Stamp system, other than making sure that it is not fraught with fraud, is not within the program.

Mr. DURBIN. You and I, of course, are of the same mind in terms of making certain that people who are in need, in fact, have enough food to put on the table for themselves and their children. I really think what I am raising, and I hope will be raised during the course of this debate, is whether we ought to ask some fundamental questions of the way we are doing this. Putting out food stamps now that become the coin of the realm for drug dealers and gambling and the like is no service to the families in need. We really need to get down to basics to determine whether or not we can help people through more direct means, cutting the administrative overhead and the opportunity for abuse.

I think we are of like mind on this. I think what you have suggested is that this debate is still ahead of us.

### ELECTRONIC BENEFITS TRANSFER

Secretary ESPY. Yes, sir. If I could just say, although I am not recommending substantial reforms in the need for Food Stamps, we are recommending change in the delivery system. The Chairman is well aware of a system called "EBT," electronic benefits transfer. Instead of printing the vouchers, printing the coupons and just having them float in the field, and be subject to substantial fraud, we want to move to a system of more improved technology where these benefits can be transferred much like money in an account.

You would go to the cashier of the grocery store and there would be, in effect, a credit card that the recipient would have. It would be presented to the cashier who could use it to deduct against whatever was left in his or her account that month. We would like

to begin to get to that point. We have several pilot programs. I have reviewed them as a member of Congress, but I have not had a chance to review them as Secretary. But generally I am very pleased with that direction. I think it is the way to go, and there could be a substantial savings, we think, in the overhead cost of just administering this program from our level, and it would certainly improve the esteem of those on the program.

WETLANDS

Mr. DURBIN. My next questions, which I am sure will be a major problem for all of us, including your Administration, deal with the wetlands issue. I think it is safe to say that the last Administration left town with this issue still unresolved, and I am hoping that this Administration, whether it is in four or eight years, will be able to resolve it before they leave town. And I am hopeful, and I am not certain, but I am hopeful.

We have come to the conclusion in our part of the world, in the Midwest, that wetlands are absolutely essential for the environment of America, but we have not reached a conclusion as to how to protect them.

Secretary ESPY. Yes.

Mr. DURBIN. There is a tangle of administrative bureaucracy involved in the wetlands issue. We have tried to address it from a different perspective with the Wetlands Reserve Program on a pilot basis. I think our early indications are that this is going to be a very expensive undertaking.

Secretary ESPY. Yes.

Mr. DURBIN. Mr. Secretary, the Fish and Wildlife Service, Environmental Protection Agency, Corps of Engineers, and Soil Conservation Service for quite some time have been negotiating wetlands rules and regulations. The Administration published a new manual over two years ago. Since then, basically, wetlands determinations for farmers have been put on hold with the exceptions of extreme cases when the farmer has had to have some information. We know that the Bush Administration issued guidance on wetland areas at the end of 1992. Please bring us up to date on the status of wetlands regulations and manuals.

Secretary ESPY. It is my understanding that activities have generally been put on hold pending the completion and recommendations of the wetlands study and report that will be conducted by the National Academy of Sciences. We in USDA will be following these developments very closely as we determine the best course of action to take in resolving some of the confusion that has been generated around this issue.

Mr. DURBIN. Can you describe the impact you think the new rules will have on agriculture?

Secretary ESPY. We would hope that any changes in the rules will lead to a more consistent overall federal approach to dealing with wetland issues and one that will make it easier for farmers to understand and follow.

WETLANDS RESERVE PROGRAM

Mr. DURBIN. If the United States of America decides to pay producers to set aside potential wetlands and not cultivate them, or at least to cultivate them under very strict guidelines, what are your plans in terms of addressing this issue from the administrative viewpoint and from the viewpoint of a reserve program?

Secretary ESPY. Mr. Chairman, this subject is very controversial. And, again, as a member of Congress, and a member on the Agriculture Committee and one who hailed from a state where most of it is comprised of a delta, or a wetlands region, I have been involved in this intimately and am aware that the debate involves environmental protection against development of the land, principally, agriculture and commercial development.

In the campaign, this was not a principal rallying cry. I did not hear a lot of talk about this within the campaign. I did hear then candidate Clinton speak of no net loss of wetlands policy. But, of course, this was also policy that I had heard President Bush express from time to time as well.

We have not talked about any details at all with regard to this, but I am a proponent of the Wetlands Reserve Program. It is expensive, but I think it does work.

There are pilot projects that have been funded, but there are many more that have gone unfunded, and I would like to see a wetlands program, a Wetlands Reserve Program continued and, hopefully included in the 1995 Farm Bill.

Also, part of the problem, I think, could be taken care of in restructuring. A lot of the Wetlands Reserve type programs are undertaken by the Soil Conservation Service. I would like to see all of the environmentally-related programs come in under the proposed Farm Service Agency. So when the farmer comes into the Farm Service Agency office, he or she could avail themselves of all the information—the set asides, the idle acreages, the program payments—and would not have to go to three or four different offices over a period of time, also we need to strengthen these regulations, tighten them, have cross-training for employees, and just put it all out there on the table at one time.

Mr. DURBIN. The Wetlands Reserve Program was authorized in the 1990 Farm Bill, and in fiscal year 1992 Congress appropriated $46 million to begin a pilot project in 5 states. The rules and regulations published by the Department allowed 9 states to qualify and those 9 states are now being used as pilot projects. Please bring us up to date on the first sign-up. Have you closed our acceptance bids? Do you have any data to suggest the Federal Government is paying a fair price and getting the type of high quality wetlands envisioned by the law?

Secretary ESPY. On January 14, 1993, former Secretary Madigan announced the tentative acceptance of 49,888 acres that would be accepted into the Wetlands Reserve Program in the nine pilot States. It is my understanding that the reasons for this tentative

acceptance were to ensure that USDA was able to obtain an easement deed substantially free of liens on accepted offers and, through an official appraisal of nearly one-third of the accepted acres, that USDA is not paying more than a fair price for the wetlands. With nearly 250,000 acres actually having a bid placed by the landowner, the Department was able to be very selective in accepting those acres that had the highest environmental benefits.

Mr. DURBIN. Funding for the program was deferred in 1993 pending the results of a detailed analysis of the first sign-up, including a cost/benefit analysis. This report has been finished. Tell us what are your recommendations for the program and why?

Secretary ESPY. I am a strong advocate for the restoration of wetlands through the Wetlands Reserve Program. The pilot program was available in my own district and I believe we need to expand our efforts to recover wetland functions and values being lost through cropland conversions and non-agricultural uses. These areas provide habitat for many endangered species, assist in the improvement of water quality, and aid in the storage of excess runoff to minimize flooding of downstream areas in times of a natural disaster. The interest expressed by owners during the pilot program demonstrated a willingness on the part of farmers to provide a permanent easement, thus ensuring a perpetual stream of benefits.

Mr. DURBIN. There are those that believe that the criteria used to accept and enroll acreage into the program will be set only by the amount that is appropriated, regardless of the costs versus benefits of enrolling land. There are also those who believe that by keeping the annual acreage allowed into the program down, you are guaranteed to get the best available land, which provides the most benefit to the environment, into the program. What is your opinion on this theory?

Secretary ESPY. As I indicated in the report to the Congress on the 1992 program, the first signup was structured to favor geographic dispersion of accepted acreage since it was a pilot program, foregoing some economic savings. If the program is expanded nationwide, then we will need to take another look at the eligibility criteria and acceptance methodology. We will also explore additional cost saving options.

### CONSERVATION RESERVE PROGRAM

Mr. DURBIN. The Conservation Reserve Program has over 36 million acres enrolled and out of production. As you know, this program started in 1985 and is for 10-year contracts. The first of these contracts will begin to expire in a little over a year. Farmers will need some lead time to make their decision on what to do with this land. When will you make some policy and program recommendations as to how to address these 36 million acres?

Secretary ESPY. While contracts on about one million acres will expire in 1996, most contracts will not expire until later years which will give the Administration and the Congress sufficient time to deal with this important issue in the context of the 1995 farm bill. A USDA multi-agency work group, chaired by ASCS and SCS, is now studying various alternatives for addressing the acre-

age enrolled in the CRP. We are hopeful that this work will be completed this year which should provide valuable information on how best to proceed.

USDA REORGANIZATION

Mr. DURBIN. I sincerely hope that you are successful with this reorganization, and I believe that you have the right approach in mind to try to provide for the people who use these agencies a more convenient way for them to meet with the officials.

I also believe that part of this, I am sure, will include some reorganization in the administration of these programs. Right now there is a blizzard of paper that hits any farmer who walks into a Farmers Home Administration office. I asked recently one of the people working there to bring me the papers that a farmer would have to fill out for a very common loan, and it was overwhelming. It is no surprise to me that many of them are upset with this process. And they also argue about the fact that there is no communication among USDA agencies that might be sitting in the same building in many instances, at least in the same town or the same county. And if we cannot only consolidate them physically, but also eliminate or reduce much of the paperwork here, I think it will really be of benefit to all of us.

We live in a world where you and I can go to the local drugstore here to make a purchase and hand them a credit card, in six to fifteen seconds they can verify our credit status over the telephone.

Secretary ESPY. Yes.

Mr. DURBIN. Now, I know that our computer capability in the Federal Government is not nearly that sophisticated, but we should strive to make it such so that we do not have to really make all this red tape a matter of course for most of the people who use these agencies.

Secretary ESPY. Mr. Chairman, there is much that can be done. I hope you will see me as a Secretary who will take swift action on the issue of reorganization. I am in a good position, because it has been addressed before. We do not have to take time to have a lot of new committees. We do not have to do that, because we have the studies over at the USDA. You have seen these studies.

Former Secretary Madigan had an ambitious proposal and it is on the table. I think it is valid in many, many areas, and I have taken his ideas and applied them. Dan Glickman, our colleague from the House Agriculture Committee, has an idea for creating this Farm Service Agency—FSA. I do not agree with each and every part of it, but in the main it is very good. The OMB and GAO also have studies on reorganization of the USDA. So, I mean, there are studies and reports all over the place. It is just a matter of putting them all out on the table, picking the best parts of each and everyone of them, going to Steve and some of the other professionals over at USDA and saying, okay, what does this save us, what does this cost us, and going ahead and doing it.

With regard to the structure of the FSA, as I have said before, in my mind it is done. It is just a matter of passing it through the channels, and then making sure that we get the appropriate personnel on board that could help me implement these.

And the last thing, those curious individuals out in the field who might wonder what we will do on field reorganization should take a look at the Washington restructuring. We are going to do that first. But I would imagine it would not be too different from what we intend to do out in the field. If we consolidate the Agriculture Stabilization and Conservation Service—ASCS, Soil Conservation Service—SCS, Farmers Home Administration—FmHA, the Extension Service—ES and the Federal Crop Insurance Corporation—FCIC, I would just imagine that we are going to do the same thing out in the field.

We think that that will cause substantial savings, just in co-location costs for us. There might be some temporary increases, however, due to the restructuring process. You have heard from your farmers, and as a member of Congress I heard from my farmers, concerning the volume of paperwork they are faced with at the field offices. It is crazy to have to go into the ASCS office and then spend three and four days going through that paperwork, and you come back and have to deal with a different individual. It is something I know that we can improve.

I mean, to me, it might be too simple, but, I hope we can get to a point where we can treat this much like we are treated with the IRS, and perhaps that is not the right agency to use. However, these farm plans can be put on computer. The last year's farm plan could be computerized, and to prepare a new farm plan, why do we not just send it to the farmer in enough time so that we can say this is what we have in our file for you. Then, he can tell us the changes and when the farmer comes in we can discuss the changes. We can apply the program payment reforms to the farm plan at that point, and discuss what the farmer will be receiving in the way of farm payments. To me, it is simple. I know it is not that simple in operation, but I hope we can get to a point in this four year period where we can do that.

### NEWS MEDIA ON USDA PROGRAMS

Mr. DURBIN. The last question I have for you, was raised in a letter I mailed to you several weeks ago. I do not think it is any surprise to anyone who watches television that a lot of these news programs, news magazine-type programs have focused on your Department, and it has now become, I think, more of a center of attention than the Pentagon.

Secretary ESPY. Yes.

Mr. DURBIN. Despite the fact that the amount of money being spent there is dramatically less than being spent across the Potomac. But, in all fairness, a lot of these points that have been raised in these programs are valid, and they call into question policies, procedures, and personnel in the U.S. Department of Agriculture.

I know, in your testimony yesterday you indicated that before you got into the meat inspection issue you sat down with the whistle blowers, who told you what they thought the problems were in the administration of this function of the agency. I sincerely hope

that attitude will continue, and I think it will be a lot easier for it to continue this year than perhaps next year, because at this point in your tenure as Secretary most of the problems can be attributed to previous Administrations and previous administrators. But there are specific areas, which I am sure you have heard of. When I come to town meetings in Pocahontas, Illinois, and Marine, Illinois, people ask me about the Oxridge Hunt Club in Connecticut that ended up with a $3,500 grant from ASCS for a loading dock for manure at a hunt club that has nothing to do with agriculture.

Secretary ESPY. Yes.

Mr. DURBIN. Whether it is a question of a person being paid to gauge the consistency of ketchup, these sorts of things trouble folks back home when they try to figure out why they should be asked to sacrifice when this sort of spending goes on in Washington, or at least at the direction of Washington.

Can you tell me, if you know specifically on those two areas, or generally, what your approach is going to be in looking after these problems.

Secretary ESPY. The news media sometimes, Mr. Chairman, will lift the extreme as an example that they will then impute to be the general situation. And I would say just in my opening comment, with regard to the question, that we have over 100,000 employees at the Department, 42 divisions, and $62 billion of operations; of which $16 or $17 billion is in farm programs and the others in forestry and food and nutrition programs. Most of these employees are fine, professional, hard working folks. They are. But some of them have been assigned tasks that I think are no longer necessary. We will be trying to transfer them into other endeavors. I will give you a couple of examples.

I have only been there four weeks, and we have had kids eating unsafe hamburgers in Washington State, and so we had to pay a lot of attention to that. I have not had time to sit down and prioritize these areas and go through them one by one, but a couple of things pop up that have gotten my attention.

### REORGANIZATION – DEPARTMENT OF COMMUNICATIONS

We have a thousand press secretaries, if you will, a thousand PR agents at the USDA on the payroll. Now, to be fair, some of them are involved in tour services at our national forests. However, we have about 600 press officers or PR folks in Washington. I believe that we do not need 600 folks telling the American public what a good job we are doing. And so I have already announced a reorganization of the Department of Communications. I mean, each one of these 42 agencies has a press corps. Each administrator has a spokesperson and a press secretary, and they do not talk to each other, either.

We have already had two or three instances where the administrator of some division said something that I am in total disagreement with. We have already had it happen twice, and we just have a problem. So I have announced a consolidation of this far-flung press operation into one Department of Communications where we

could create a desk system, much as they do at the State Department, a desk for food, meat inspection, a desk for rural development, a desk for this, a desk for that, and I would imagine we would not need anywhere near 600 people to do this. And then we have the task of finding other areas of work for the ones who may not be needed in the communications area.

I am told, and Steve may correct me, that in the next 18 months we will have as many as a third of our senior career executives eligible for retirement. That does not mean they will retire. But it does mean that we are able to offer them packages or incentives at that point to perhaps have them look toward retirement. To the extent we do not fill all the positions we will be able to effect savings.

So we are looking to retirement, incentives to retire for our career senior employees. Since we will be consolidating this thing called the Department of Communications.

PRIME TIME LIVE

I heard, once I got your letter, Mr. Chairman, about the gentleman who was paid $54,000 to review the flow rate of ketchup. I wanted to meet with the gentleman, and Prime Time Live found him first. But we are going to be meeting, and I am going to be discussing his other duties. [Laughter.]

I understand that there is some program to measure the stem on pickles or something. Well, who cares. I am speaking for myself now. But who cares? There might be some logical function in grading that some consumer somewhere might question. But as far as these tasks meeting the public purpose, I say who cares? So I am going to review all of these things and things like that very quickly.

Also, this matter of the polo pony ranch in Connecticut or whatever it was, I think that was a Farmers Home, no it was an ASCS grant. Well, I have reviewed that one, and it was a matching grant program, and I think we did put out about $3500 from public funds for this. To me, I think that is ludicrous. I think that is absolutely unnecessary, and I have asked our folks at the Farmers Home, people at the ASCS, folks at the RDA, to review opportunities for, if you will, a "means-testing" procedure. We do not need to fund loans and grants and applications to give subsidies or help to folks who are very well up on the income scale. Just give me a little more time and we will attack these one by one.

Mr. DURBIN. Thank you.

Mr. Skeen?

Mr. SKEEN. Thank you, Mr. Chairman. Mr. Secretary, I am entirely heartened by the way that you have approached your job, and I think you are going in the right direction. We have used the phrase this morning "reinventing government." I just hope that we do not have government reborn.

Secretary ESPY. Yes.

FIELD OFFICE RESTRUCTURING

Mr. SKEEN. And in the case of reorganization, I think that you have taken a healthy look at it, because you better look at the cen-

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tral offices rather than talking about eliminating field offices. In the western states, it creates real problems because you are housing several agencies in the same buildings, and the Madigan proposal would have done away with say an ASCS office, but left the SCS office and some of the others intact in the same building. So there is no real savings.

Secretary ESPY. Yes.

Mr. SKEEN. What I am really concerned about is, and I think that you have indicated by what you have said about reorganization, that you intend to take a look at the central groups first.

Secretary ESPY. Yes.

Mr. SKEEN. And then take a look at every field office function in its own respect. I think that is a very healthy attitude rather than just going across the board.

What is the cost involved in this? For instance, you mentioned a lot of data capability, and I have found agency by agency the last thing they think about is updating their data processing ability and computerization ability. I understand, take care of your personnel first, but this concerns me. Have you done a cost analysis on this?

Secretary ESPY. Mr. Skeen, if I could turn to my associate here for that answer.

Mr. SKEEN. Well, I love listening to you, but we will listen to Steve too.

Secretary ESPY. Steve.

### FIELD OFFICE FUNCTION

Mr. DEWHURST. Sir, I think I really ought to say three things. One is that I think I have a mandate from the Secretary that when this budget comes up in late March, to be able to demonstrate to him and to you that in allocating the cuts in the budget, the administrative costs, are taken at least proportionately, if not greater than proportionately, at the central level than they are taken in the field.

Mr. SKEEN. At the field function level.

Mr. DEWHURST. With respect to the field system, particularly the farm service field agencies, which have been the subject of so much study, there are two points I might make about that.

One is that the Secretary has asked for plans, detailed plans to be done by April, and it is very difficult to have a lot of facts and figures before you have all the plans. But we know two things about it. We know that, to the extent you are moving folks around to consolidate offices or do whatever you want to do, there is going to be a cost involved in that, and I have seen estimates that say over a couple of years that cost could be anywhere from 30 to 60 million dollars. You ultimately have savings, but you have the front-end cost that you have to bear.

Mr. SKEEN. Let me stop you right there, Steve. You are not going through the exercise of trying to balance your cost savings versus the cost increases. You are going to let it fall where it may in your organization.

Mr. DEWHURST. To be fair about it, we have some budget targets from the President that we have to hit. But in hitting those tar-

gets, we are going to have to figure out a way to accommodate the costs as well as the savings.

COMPUTERS

On the computers, there is work underway in the department which says that the next major computer buy for our farm service field structure, which is to take place in a couple of years, 1995–96, because our computers are becoming outdated, will be centrally procured.

Mr. SKEEN. Every six months.

Mr. DEWHURST. Yes, sir. It will be a centrally managed computer buy.

Mr. SKEEN. A total network system.

Mr. DEWHURST. Common equipment, common software, linkages. It will be a multibillion dollar kind of effort, a couple of billion dollars minimum. But, you see, those numbers were already built into our agency's budgets at the time when they expected to proceed independently to buy all their computers.

So what I am saying is it does not necessarily require an increase in the Department's budget to do a better job in automating our field offices, it just requires that we organize it better, and exercise some better central control over what is bought and when it is bought. And there is some hard work being done in the Department to make that happen, to give better service, and not increase the total cost to the Government of providing that service.

NEWS MEDIA

Mr. SKEEN. Well, I appreciate that response, and I think we are going in the right direction, and reorganization is absolutely essential.

Do you mean that the news media exaggerates things?

Secretary ESPY. I would say that's a safe assumption.

Mr. SKEEN. We have agreement there, too.

Secretary ESPY. There is such a ketchup grader, and there is such a pickle stem measurer, but they do not exist in every division. It is one individual, not 25 or 50,000. It is just one.

MR. SKEEN. One individual is measuring pickles and drips out of a ketchup bottles. He is a very versatile individual.

ADMINISTRATION'S PHILOSOPHY

Secretary ESPY. He has been there awhile, but we will see if we can reorient the duties.

Let me also say to you that, as a part of this team philosophy—the Chairman asked me earlier about welfare reform, and we have a philosophy in this Cabinet, and I hope it continues, that when an initiative comes down from the President, whether or not it falls within the purview of your specific cabinet or Department, if you know something about it then you should offer your services and you should help. That is why I am on the Welfare Reform Task Force, knowing full well that the AFDC and all of that lies in Health and Human Services—HHS, and the spotted owl and all of the other environmental issues, we have Secretary Bruce Babbitt,

but I have the responsibility for the Forest Service, so but we meet together.

And I would hope that this entire effort to reorganize the Farmers Home would be principally done inside of USDA. That is where it should be done.

However, when we come to entering data, which to update the computer records, I hope that we could reach out and utilize part of President Clinton's national service program. Hopefully, that will be on line by then. We could get very bright business students, who have gotten college loans, to come and work at USDA for a summer or for a year and help to key-in this new data in our efforts to computerize our records without substantial outlay increases to USDA for one-time work. That is what I want to do. Almost like part-time workers being paid by someone else, being assigned and tasked to this function. We want to get to that point.

### MEAT AND POULTRY INSPECTIONS

Mr. SKEEN. Let me move to the meat and poultry inspections, and I want to commend you on the quick response that you had to the E. coli situation in Washington State.

Secretary ESPY. Thank you, sir.

Mr. SKEEN. You handled it very well, and gave the kind of response that provides some encouragement to people that government does respond. I have got a real problem, though, with the way we are trying to set up the meat inspection system, and I know you would like to have 160 additional workers or inspectors. Now, we are talking about user fees once again, and we have had a little problem in the past with user fees for overtime inspectors, things of that kind.

Is OMB in tune with this thing, or not, because we have run into all kinds of a fire storm over user fees with past Administrations? And as I understand it, you propose a similar system for this new expansion.

Secretary ESPY. Yes, sir. We came yesterday, as you recall and proposed $4 million in increases to hire 160 new meat inspectors that could be put on line immediately, and now we are asking for a few more, to get us up to 200.

I think it is a problem. There is tremendous overtime right now simply because we have 550 unfunded vacant positions, 550. But yet we have a streamline inspection system where the carcasses are moving down the processing line at a more rapid rate. Even though we have cut that back, and the line speed has been reduced, there is still substantial anxiety among the labor community. Those who presently work on the line need more help. We have met with the industry about this as well, and I cannot say that they applaud our effort to move toward user fee increases. I cannot say that in all honesty. But they do understand what we are trying to do.

And so at least with regard to the overtime, we think user fees could be used to reduce the cost. OMB is in line with this, and they have approved this recommendation.

DEFINITION OF PUBLIC GOOD

Mr. SKEEN. Is there a question of illegality as far as the definition of public good, because I think they used to take that stance that the inspections were in the interest of public good. Therefore, the Federal Government should pay for the entire inspection system so that those inspectors are responsive to the public rather than the Government.

Secretary ESPY. I understand the question. The question being is this somehow a contradiction.

Mr. SKEEN. Ninety years of service and we have handled it this way, and this would be a departure. I just wanted to bring that question up and see what kind of response you have.

Secretary ESPY. That question has been raised before.

Mr. SKEEN. It sure has.

Secretary ESPY. Some would think that we should hire these new individuals and pay the entire cost of it. Some would think that this is a reasonable imposition of cost based on the relief we give to the industry by doing this. I am not representing the industry, of course. I am sure they may have a different point of view. But we think that this is a reasonable compromise.

Mr. DEWHURST. Just to follow the Secretary's point on the numbers. Even if these user fees were to be approved, it is probably worth noting that 80 percent of the program would continue to be paid for by the taxpayer.

Mr. SKEEN. Oh, I understand that. But then it gets into the shading of the question.

Mr. DEWHURST. Yes, sir.

Mr. SMITH. Will the gentleman yield for 10 seconds?

Mr. SKEEN. I will yield.

Mr. SMITH. The determination as to who pays the user fee ought to be determined by whose convenience the fee is for. Is it for the Department's convenience or is it for the locker plant or whatever?

Secretary ESPY. I understand the point. We think the proposal is a reasonable resolution to this issue. Under the proposal, the Government would not have to bear the entire cost of inspections.

Mr. SKEEN. So you still envision some use of the user fee idea?

Secretary ESPY. Yes, sir, we do.

Mr. SKEEN. Very good.

E. COLI

Secretary ESPY. We hope to get to a point, frankly, where we are beyond these additional 200 inspectors. We would hope to get to a point where we would no longer need any additional inspectors. To be honest with you, we have asked for money for research.

I met yesterday with a major research university who has done a lot of work in this area, and they are asking for a modest amount of money to finish the research. I met two weeks ago with a gentleman from a major university who had already developed a test to culture E. coli that would culturate within 24 hours. In my opinion, it is not practical to cause a whole lot of carcasses to have to wait until you could get the results of an E. coli test that had been taken from one part of the carcass. So, we are not yet at that point of practicality and reasonability versus doability.

But he tells me that he is well within a year's time that we could develop a test so that we could know whether we have a diseased cow before we move to slaughter. You know, injection from the blood, testing the blood. And if any evidence of E. coli, particularly this strain, has become evident, then we, of course, would not slaughter the animal. He says to me that we are well within a year's time that we could offer this. To me, that is the way we need to go in addition to the care labels, the harm labels, the instructional information. If we had a system based on sound science, then, of course, we could eliminate this problem in the processing.

He told me that he approached the USDA two years ago, and had such a proposal, and it was denied for funding because in their opinion it was not based on sound science. So I have asked him to go and re-group it, re-present it, and we will consider it for funding.

Mr. SKEEN. Well, the question in my mind was can you detect E. coli before slaughter? But what about after the slaughtering process, and I think that is where the scientific question is in doubt.

Secretary ESPY. There is a test right now being applied to patties in certain retail food establishments, a very popular one, the most popular one in America has such a test. And before they cook these patties, there is a test. Some others do not do it. This particular one in question did not do it. They just figured they would cook it, but they did not.

So I think that at every critical time point we could then impose a test, and we would not have a problem.

## CROP INSURANCE PROGRAM

Mr. SKEEN. Let me move to crop insurance, and I know this is an issue that we have had a great deal of discussion about and controversy.

I note that in the report of the President's economic plan, "It's A Vision of Change for America," the savings are indicated on the reform of the crop insurance program in two different categories, and there is a chart on page 123 that says, "Reform crop insurance through area yield is estimated to have a discretionary savings of $551 million over four years." Then on page 127 the same item is attributed to another savings of $739 million over four years.

Can you give me an idea, is that incorrect?

Mr. DEWHURST. No, sir. It is not incorrect. The reason for that is because of the way in which the budget is formulated these days. Part of the costs of the crop insurance program are considered to be in the discretionary part of the budget, and part of the costs of the crop insurance program are considered to be in the mandatory side.

Mr. SKEEN. In the mandatory side.

Mr. DEWHURST. The discretionary side is the salaries and expenses we pay the folks who run the program, and most of the commissions we pay to the companies that actually sell the insurance. The mandatory side is the indemnities that we pay to farmers who claim valid losses, and we make payments.

So when you change the crop insurance program, you almost always have an effect on both sides of the equation, and the President's book, of course, is divided between those things that are discretionary and those things that are mandatory. Therefore, you will find crop insurance listed in several different parts of the budget.

Mr. SKEEN. Well, the total savings, though, will be the cumulative figure?

Mr. DEWHURST. Yes.

Mr. SKEEN. The adding of the two together.

Mr. DEWHURST. Yes.

Secretary ESPY. Could I say a word on this?

Mr. SKEEN. Oh, you bet. [Laughter.]

Secretary ESPY. We have also done a lot of work on this issue.

Mr. SKEEN. That is why we are here.

Secretary ESPY. We have reached the point where we need to make a decision. Either we are going to have it or we are not going to have it.

Mr. SKEEN. That is correct.

Secretary ESPY. This is a catch-22 situation, farmers do not take it because the premiums are too high. The premiums are too high because the risk pool is too small. The risk pool is too small because they really realize that when we have these floods and when we have these droughts, that Congress will respond. Each individual legislator will tell the Secretary that, you know, we want disaster payment protection, and we give it. That is why the risk pool is so small.

So I would say either let us decide—we are at that fork in the road right now. Let us go ahead and decide to have an adequate insurance system, or just decide to junk it.

Now, if we decide to junk it, I could save a lot of money in the reorganization, because we have FCIC. We can do away with that if we decide to just go ahead and fund these disaster payments when they occur. If we decide to do that, fine.

If not, let us go ahead and design a system based on county yields and county averages rather than, you know, individual yields and averages. Let us reduce it. Let us expand it across all commodities, across all regions, give it a modest premium basis, and just go ahead and do it. Then once we have the disasters we may have to come up here and handcuff some legislators, but we just will not have it to be offered, because they did not involve themselves in the insurance program.

Mr. SKEEN. We have had enough legislators handcuffed. [Laughter.] I do not want to see us do it again.

Secretary ESPY. Wrong use of words.

Mr. SKEEN. Wrong use.

Secretary ESPY. Yes.

### CROP INSURANCE PROGRAM YIELDS

Mr. SKEEN. Well, we will forgive you for that.

The other question, too, is in the area of yield. They ought to come up with something definitive about these programs, and I know that we have gone through a transition of working the crop

insurance system out, and I am sure we are going to go through some more. But I think you are exactly right. We ought to either do something with it, make it appropriate, keep it to scale and keep it within bounds, or go to the disaster payment system.

Secretary ESPY. Yes, sir.

Mr. SKEEN. And we are in the soup one way or the other, but we ought to be——

Secretary ESPY. But not both.

Mr. SKEEN. But not both.

### COMPETITIVE LOAN RATES

Mr. SKEEN. I want to commend you and the Clinton Administration for not proposing farm program reductions until after the implementation of the 1995 Farm Bill. As you know, Mr. Secretary, one of the hallmarks of the 1985 and 1990 Farm Bills was establishing competitive loan rates for grains, oilseeds, cotton and rice while maintaining income supports. Our current loan rate for corn is $1.72/bushel and wheat is $2.45/bushel. Do you think these loan rates are appropriate?

Secretary ESPY. I do not have any immediate plans to alter loan rates. I would certainly agree with the intentions of the 1985 and 1990 farm bills to help farmers to respond better to market signals and to get more of their income from the marketplace. This is the right direction for farm policy. There are many more aspects than loan rates involved in setting and implementing effective farm policy. We will review loan rate and other policy issues closely over the coming year, particularly as we gear up for deliberation of the 1995 Farm Bill.

Mr. SKEEN. Will you likely support these rates for the 1994 crop year?

Secretary ESPY. We are evaluating impacts of alternative loan rates and acreage reduction requirements for the 1994 crops. However, it is too early to suggest the direction of loan rates, acreage reduction requirements, and other program parameters for the 1994 crops.

### FORMER SOVIET UNION

Mr. SKEEN. The Former Soviet Union—FSU—is in arrears on its payments to banks for grain sold to it. Consequently, the USDA is not offering additional credits. Since the FSU normally purchases about 20 percent of our exports, what does the Clinton Administration intend to do about this lost market?

Secretary ESPY. We are very aware of the importance of the FSU markets for American agriculture, and we must not allow long-term market opportunities there to be lost. I have stated that developing a policy with respect to the FSU is one of my first priorities as Secretary, and I can assure you that we are working extremely hard to identify options which will allow U.S. exports to resume to these markets. We will be working with others in the Administration to achieve this goal, and I expect their cooperation in this effort. It is premature at this point to state what our policy will be, but I am confident that we will be in a position to move forward in the near future.

DELANEY CLAUSE

Mr. SKEEN. Recently, the Supreme Court refused to hear a case concerning food safety. It now appears that agriculture will lose many safe and effective pesticides because of the interpretation by the Delaney Clause which equates zero-risk.

What does the Clinton Administration intend to do? Will you send up a food safety bill for Congress to consider?

Secretary ESPY. The availability of safe and effective pesticides is an issue of much concern for the Clinton Administration. In light of the Supreme Court action, we are reviewing what steps should be taken. At this time we have not decided upon a course of action.

NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

Mr. SKEEN. In previous hearings this year, we have heard from a number of USDA economists who have unanimously concluded that U.S. farmers will benefit significantly with approval of this agreement. Over the past decade, Mexico has taken great strides towards lowing tariffs on a number of agricultural exports from the U.S. In fact, U.S. agricultural exports to Mexico have tripled in the last five years.

NAFTA is a crucial component in Mexico's trade liberalization efforts. We need to ensure that we have a friendly ally to the South and that this policy continues. If negotiations break down this could send the wrong message to the Mexican people as they go to the polls in 1994. Is implementation of NAFTA going to be a top priority?

Secretary ESPY. As you are aware, the President has indicated the Administration's support for NAFTA. We do intend to negotiate several side agreements in the areas of labor, the environment, and import surges, but our intention is not to reopen negotiations on the NAFTA text itself. I agree with your assessment of the potential benefits to be gained from expanded trade opportunities with Mexico and, on balance, implementation of the NAFTA agreement should be an overall plus for American agriculture.

Mr. SKEEN. How much progress are we making on the development of implementing language from this Administration?

Secretary ESPY. Preparation of the implementing legislation is being coordinated by the U.S. Trade Representative's Office. The Department's Foreign Agriculture Service and Office of the General Counsel are working with USTR on this. While it is difficult to predict precisely, we expect the Administration will begin consultations with Congress on the implementing language sometime later this spring.

WOOL AND MOHAIR PAYMENTS

Mr. SKEEN. President Clinton is proposing to save $212 million over four years by limiting wool and mohair subsidies to $50,000 per person. I want to tell you that I am pleased that this program was not cut out altogether. As you know, in the 1990 Farm Bill we elected to phase down incentive payments. Now, the Administration is proposing a drastic reduction from $125,000 to $50,000 per person. It has been coming down $25,000 a year. What effect will

this drastic cut have on those sheep ranchers who are trying to make ends meet with world wool prices at an all time low?

Secretary ESPY. The change in payment limits for wool and mohair producers would bring this program more nearly in line with payment limits established for other program commodities. Producers of program crops face a combined limit of $50,000 per person for the total of deficiency payments received from all the program crops combined. My understanding is that the bulk of wool and mohair program payments go to relatively few large producers. Since most sheep producers derive most of their income from the meat value of their sheep rather than wool, the wool subsidy is only a modest factor in terms of their total income. Smaller producers of wool and mohair will be unaffected by the change.

Mr. SKEEN. I want to tell you how much I appreciate your responses.

Secretary ESPY. Thank you, sir.

Mr. SKEEN. Thank you, Steve, and you too, Mike.

Mr. DURBIN. Thank you, Mr. Skeen.

Ms. KAPTUR?

Ms. KAPTUR. Thank you, Mr. Chairman.

Mr. Secretary, we certainly warmly welcome you back up here to Capitol Hill. And having seen your work on the Budget Committee and on the Agriculture Committee, I know a fine career you are going to have over there at USDA, and we wish you all the success in the world.

Welcome, Steve, also. You seem to come up with every panel, you know. You are a very busy gentleman.

Secretary ESPY. This is our cross-training example. Very versatile gentleman.

Ms. KAPTUR. I take it you were in the public relations department before, were you? You are part of that reorganization. [Laughter.]

CROP INSURANCE SYSTEM

Ms. KAPTUR. I just wanted to say to the Secretary, following on Mr. Skeen's mention of crop insurance here, probably the most fascinating conversation I have had on crop insurance in the last decade was with, of all people, Alan Greenspan, who was a hedger in his early career on the Chicago Board of Trade. He has interesting observations on how one sets up insurance systems. If you have the opportunity to speak with him, I believe his opinions are a valuable insight into the crop insurance system. I felt he had the best concept of how one would set up a true insurance system with all those who are involved in risk participating in that system. I do not want to get into it here this morning, but nonetheless I thought he is the most thoughtful person I have ever heard on the topic, and most people do not think of the Fed. as involved in crops, but he certainly has thought a lot about finance and how you put systems together. So I would commend that to your attention.

Secretary ESPY. Right.

### QUALIFIED INDIVIDUALS IN USDA

Ms. KAPTUR. The other little item, parochial in nature, but nonetheless I am sure you are very aware of this, that those of us who represent the Midwest are very interested in having qualified individuals from our regions serve in the Department. I just want to reiterate that point. We know that you have lots of qualified people that you are looking at, but our farmers, our growers, our processors are very interested in having people that they feel really understand our region.

### REORGANIZATION

In the area of reorganization that you were talking about, the one stop shopping for farmers, has great support in the state of Ohio. I had a group of farmers in to see me yesterday, who are worried about travel time. Their main concern, however is expedited service and reduced paperwork. There was an awful lot of support from them for reorganization.

### WELFARE REFORM

I would like to follow on the Chairman's comments regarding the Food Stamp Program. I hope that when we get into welfare reform, that you would view your role as one that is not tangential in that discussion. I also hope that in the same way as you are looking at one-stop shopping for farmers, that you might see yourself as playing a very important role in helping us to figure out a better way to coordinate human services across this government to people who are truly in need, with the objective of building family units where children have every chance to grow up healthy, and educated, and as a result, we hope, happy.

People on this committee are sick of my hymnal on this. But I consider the WIC program, the Food Stamp Program, the School Breakfast and Lunch Programs to be some of the most important programs that have to do with the rearing of our children. I have many concerns in this regard. The Woman's Caucus met with Secretary Shalala last week, and several of us talked about the coordination of programs that would build family, and why are they so uncoordinated in our own government.

I can tell you that the chief juvenile judge in my home county, and this is not an exaggeration, has said to me, "Marcy, if you do anything in Washington, go back and get rid of the school breakfast program, because it is one of the most anti-family programs in the Government." I said, "The problem is, judge, people will come to school hungry."

Secretary ESPY. Yes.

### WOMEN, INFANTS AND CHILDREN PROGRAM

Ms. KAPTUR. He said, "But my objective is to get the parents to feed their children because that is one of the most important acts parents can perform."

I know this is swimming upstream against commonly held opinions by some in this city, but in my own area, for example, the Women, Infants and Children Feeding Program has enormous po-

tential. It does not connect, however, to any other program that this government offers, whether it is immunization or maternal health programs, a multiplicity of drug treatment programs that are out there, programs that are involved in helping families learn about parenting. The connection to Head Start is a very weak connection.

I would ask that, as the welfare reform effort proceeds, the Department of Agriculture has some incredible experience under its belt and it should not just be a tangential player. I also hope that, with people you will assign and select, the department can play an important role in reforming some of these programs that we have on the books, but also look at people, where they live.

Secretary ESPY. Yes.

FEDERAL SUBSIDY

Ms. KAPTUR. Look at these programs not as just line items in a Federal budget from all these different cabinet-level departments, but as programs that really help to build family.

Last week in my community I was in a neighborhood where two-thirds of the residents are single parents. The vast majority of homes in this particular major section of my community are all on some form of Federal subsidy. And let me tell you, that part of the city is in deep, deep, deep trouble, and I know it is no different than Los Angeles or Chicago or New York or anyplace else.

You have a great ability to see the connection between these programs, and you are not wed to the past, and I think the department has an enormous amount to contribute here.

Secretary ESPY. If I could just respond. I agree with everything you said. I had a former district. I had been the representative for that district for six years, but, honestly, it was poor when I started and it was poor when I finished. And it is because we have not been able to see the forest for the trees. We have not had anyone that can stand away and say, hey, how can you combine all these services?

I mean, the per capita income in my district—my former district is about nine or ten thousand dollars a year. For every dollar we send—rather for every dollar they send to the Government, we send them $1.36, principally in the form of transfer payments and welfare.

Ms. KAPTUR. Right.

Senator ESPY. And whether it is WIC, or Food Stamps, or AFDC, or the increased AFDC because the fathers do not take care of their children, I mean it is all a problem, and it impacts us right in the taxpayer pocket.

So the reason I wanted to take this job, one of the principal reasons, is because it has great potential to improve the quality of life in these rural areas, these very poor areas all across the Nation. And we do not have AFDC, and we do not have child support enforcement, but we do have the WIC program and we have Food Stamps. And that is why I have such intense interest in welfare reform.

Secretary Shalala and I have already started to work together on this Welfare Reform Task Force by phone, and we do have ideas.

The WIC program is probably the gateway to exposure of the client community to a myriad of social service functions, because it starts at a prenatal stage.

Ms. Kaptur. Yes.

Secretary Espy. They come there first.

Ms. Kaptur. Right, they are identified. We know who they are.

Secretary Espy. We know who they are. And so then we can ask who is the father. So we can say—when the child is born—you need to immunize this baby. So we can ask about AFDC. So we can ask, and we do not even ask now about these other things. That is a structure that we hope to implement.

The individual that I have offered the job as Assistant Secretary for Food and Nutrition—if the President approves this person—will take the bull by the horns on this one, I am quite sure.

Ms. Kaptur. Fantastic.

Secretary Espy. And if that person makes it through the clearance process, then I think this committee will be well pleased.

Ms. Kaptur. And you will certainly have the full support of this member in all of those efforts, Mr. Secretary.

NUTRITION PROGRAMS "ONE-STOP SHOPPING"

Ms. Kaptur. Can you tell us the status of your discussions with HHS Secretary Donna Shalala regarding one-stop shopping in nutrition programs?

Secretary Espy. Outreach is a major concern for the food programs even though Food Stamps and WIC have grown in recent years. We need to help all of those who need and want assistance while we improve efficiency and integrity. And ultimately we want to improve the return on the Nation's investment. In the area of outreach, the Department has a program of grants to be used by organizations targeting hard-to-reach low-income groups. The grants are designed to develop and demonstrate effective methods of Food Stamp outreach and client assistance enrollment techniques. As you know, we will continue with the School Breakfast Program outreach grants, WIC outreach and expansion, and so on.

We have some one-stop-shopping-type initiatives that have improved access, such as in Delaware where Food Stamps, AFDC, WIC and other assistance programs are operated under the same roof. Further, USDA and HHS staff have been working together to improve the conformity of Food Stamps and AFDC, including supporting the Welfare Simplification and Coordination Committee established by the FACT Act of 1990. A coordinated approach could help the community to help the able bodied help themselves—empowering them to learn and to work their way out of poverty. Our programs, to some extent, currently seem to be based on the premise that you can consume your way out of poverty. I am looking forward to working with the Congress and those on the front lines in the States in these areas. And, although USDA and HHS staff have been working to improve program access, Secretary Shalala and I have not had the opportunity to discuss these efforts yet.

### ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION (AARC)

Ms. KAPTUR. What is the status of the proposed Midwest Center on Alternative Agricultural Research and Commercialization?

Secretary ESPY. On December 23, 1992, the National AARC Center published a notice in the Federal Register requesting proposals to host regional centers. These proposals were due on February 19, 1993. Approximately 20 proposals were received and the AARC Center Board of Directors is just beginning the process of reviewing the proposals. The Midwest Center has submitted a proposal. The ability of an applicant to bring together activities into a logical regional context will be considered in the review and selection process.

### GREAT LAKES U.S.-FLAG VESSEL SERVICE

Ms. KAPTUR. I represent a community on the Great Lakes, and we on the lakes are the fourth seacoast under President Eisenhower's designation years ago, the fourth seacoast of the United States. We do a lot of shipping through that corridor of coal, taconite and agricultural commodities.

One of our problems is that over the years, for a whole variety of reasons, including the size of the locks, U.S.-flag vessels travel the lakes less than the other coasts. We do not have private U.S.-flag service on the lakes. That puts us in an especially difficult position with regard to cargo preference and agricultural commodities.

One of the issues I asked one of your representatives about earlier in the hearings, knowing the number of elevators that exist along the Great Lakes system, is there anything the department could do in the contracting that occurs to ship commodities on the other coasts to somehow encourage U.S.-flag vessel service at least some sort of service on the Great Lakes so we could move a product.

We are truly at a disadvantage, and it is not just USDA, but even DOD. Not one DOD ship came back from the Persian Gulf through the Great Lakes.

Secretary ESPY. Yes.

Ms. KAPTUR. It is a coast that is discriminated against, by an accumulation of practices over the years, but I think USDA, certainly in some of the food shipments might think about the contracting that you do with private shipping carriers. We ask that you consider that as a condition of contract on the other coasts, some service be required on the Great Lakes.

I just plant that idea. We have asked some of the other people that have testified to report back to us. This truly is a disadvantage to us, and we are so close to market. We are the closest to northern Europe of any of the ports if you actually look at travel time on water-borne transportation from our region of the country.

We would ask for your particular interest in this area. It could help us a great deal.

Secretary ESPY. We will do it.

Ms. KAPTUR. Thank you.

## CARGO PREFERENCE

Ms. KAPTUR. How much does cargo preference cost in the shipment of U.S. food aid under P.L. 480 and other government financed food programs to help the needy, such as in Somalia?

Secretary ESPY. For FY 1992, the cost of meeting cargo preference requirements for the U.S. foreign food assistance programs is estimated to have been about $140 million. This estimate includes the cargo preference costs of the P.L. 480 program, the Food for Progress Program, and foreign commodity donations authorized under Section 416(b) of the Agricultural Act of 1949.

Ms. KAPTUR. What is the average difference in price between shipment under internationally competitive rates and under cargo preference?

Secretary ESPY. The average additional cost to ship food aid commodities on U.S.-flag vessels is estimated to be about $22 per metric ton.

Ms. KAPTUR. What are the cost factors that comprise the difference?

Secretary ESPY. Among the most important factors that contribute to the difference between U.S. and foreign flag shipping rates are labor costs for U.S. seamen, crew requirements, and vessel operational costs.

Ms. KAPTUR. Certain private voluntary organizations have complained about the inability to get timely shipments in their overseas hunger programs because of the unavailability of U.S. flag ships. Would USDA object to a policy under which U.S. food aid shipments can be sent from Great Lakes or other ports of foreign flag vessels, when U.S. flag service is not available and the commodities are available on a timely and lowest cost basis? Would such a policy be helpful for management of the food aid programs and save money?

Secretary ESPY. The Department supports a policy of timely shipments for the foreign food assistance programs. To the extent that U.S. flag service is not available at fair and reasonable rates, the cargo preference law does permit the use of foreign flag vessels. This flexibility does help in the management of the food aid programs. In the case of P.L. 480 Title II shipments, the Agency for International Development—which administers the Title II program—has recently taken measures to provide better incentives for timely shipments in emergency situations.

## NORTH AMERICAN FREE TRADE AGREEMENT

Ms. KAPTUR. And, finally, on NAFTA, Mr. Secretary, I am curious as to who within the department will be handling the multiplicity of questions involving agriculture and NAFTA. We have so many issues for inspection. We had a good conversation the other day with the head of the Co-op Division about legislation to create transnational co-ops, so that farmers in both countries, or all three countries, could benefit and not just be ripped off by multinational corporations that are trying to pit growers against one another, and farm workers.

I am curious, who within USDA is heading the NAFTA review?

Secretary ESPY. Right now it is an Acting Under Secretary for International Affairs and Commodity Programs area, Joe O'Mara. Joe is a career USDA employee, principally involved in the GATT negotiations with the Foreign Agricultural Service—FAS. But right now he is the Acting Under Secretary in that area and is involved in the NAFTA negotiations.

Ms. KAPTUR. Do you intend to appoint someone else, Mr. Secretary?

### INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

Secretary ESPY. Yes. Joe knows he is acting, and I have also put forward a name to the President for the new Under Secretary for International Affairs and Commodity Programs. This individual also realizes that if he or she is appointed then we will reorganize under him or her, regarding the Farm Service Agency. And I have other ideas on stripping away from this function and establishing an Under Secretary for International Affairs, which will include the Office of International Cooperation and Development—OICD and the FAS and other divisions as well. That, however must be approved by the Congress. But first, I want to do it all in tandem.

So once we get this person on board, then we will go ahead and reorganize. Once I get the proposed reorganization through Congress then I can create the Under Secretary for International Affairs. I do not think that we are talking about anymore money, really. We are talking about essentially the same program area, just transferred over to the new under secretary. But the new restructuring will highlight and emphasize the pursuit of international markets in USDA.

Ms. KAPTUR. I am glad you are thinking along those lines, Mr. Secretary, and we would welcome meeting with your NAFTA representatives when the time comes, because for many, many members, including myself, and I know many others, agriculture and NAFTA is really a lightning rod issue up here.

Secretary ESPY. Yes.

### NORTH AMERICAN FREE TRADE AGREEMENT

Ms. KAPTUR. The Department has estimated that the net gain from the NAFTA for agriculture is expected to be about $2 billion. Has the Department done any studies on how much of this net gain will benefit the family farmer as opposed to the large agricultural corporations?

Secretary ESPY. The gains to U.S. agriculture from the NAFTA will be broad-based across most commodities and regions. Ninety-five percent of U.S. farms are either farmer-owned or family corporations. These farms will benefit from higher prices and additional revenue for many commodities as a result of the NAFTA.

Ms. KAPTUR. Do you plan to make any recommendations to the President on the currently negotiated NAFTA agreement? If so, what areas would you like to strengthen?

Secretary ESPY. President Clinton has stated the Administration's intention to negotiate supplemental side agreements to the NAFTA on labor, the environment, and import surges. The purpose

of these talks is not to renegotiate or reopen the NAFTA text. Rather, the side agreements are intended to supplement the NAFTA. The Department is participating with other government agencies in preparing the U.S. position in these three areas for upcoming trilateral discussions in mid-March. The Department's main participation has been in the import surge working group.

Ms. KAPTUR. In several of the hearings the Subcommittee has been told that an updated analysis has been completed by USDA on NAFTA. When will the analysis be available for Members of the Subcommittee?

Secretary ESPY. The updated analysis is nearly complete, and we anticipate its release in the near future. Copies of the updated analysis will be provided to Congress.

MEAT TRANSSHIPMENTS

Ms. KAPTUR. We are very concerned about the short and long-term consequences to many of our agricultural industries here, our growers, our farmers, our farm workers. One of the examples I have of that is this problem of transshipment of meat through Mexico or Canada. You were just talking about the problems of inspection here in our country. Can you imagine what could be coming in here from elsewhere in terms of just the inspectors that we have and how we assure quality? We really want to make sure that whatever is in this agreement is the best for everyone on the continent.

Secretary ESPY. I have already met with the Minister of Agriculture from Mexico, and the Minister of Agriculture from Canada, and we had a very productive meeting, and very, very informative conversations.

And with regard to the Canadian minister, we talked about meat inspection, because I have concerns right now with the Canadian Free Trade Agreement, as to how that has been working with regard to meat inspection.

Ms. KAPTUR. Right.

Secretary ESPY. And we shared some concerns, and I think we will see some changes there.

CANADIAN FREE TRADE AGREEMENT

Ms. KAPTUR. One of the real weaknesses in this agreement is that if a farmer in my district or a food processor wants to complain there is no judicial mechanism to get remedy that would resemble anything like we have here in the United States.

Secretary ESPY. Right.

Ms. KAPTUR. There is no voice for consumers. I think this area really deserves a lot of attention.

NAFTA BORDER INSPECTION QUESTIONS

Ms. KAPTUR. There is no adequate tracking system for truck loads of Canadian meat entering the U.S. through Canada that fail to stop for an inspection nor is there any penalty imposed on those companies. Inspectors also tell us that only about one in ten trucks is designated for product exam. Does NAFTA mean for Mexico

what the U.S.-Canada Free Trade Agreement has meant for Canada?

Secretary ESPY. First let me address your comments about meat entering the U.S. from Canada. Although it is possible that some meat product entering the U.S. from Canada may have avoided inspection, we are confident that the system for tracking truckloads of meat from Canada into the U.S. is adequate. Fewer than one percent of those truckloads fail to stop for inspection. We are working with Agriculture Canada and the U.S. Customs Service to reduce these occurrences and that companies violating the law are penalized.

With regard to NAFTA, let me say again, that the North American Free Trade Agreement would be similar to the U.S.-Canada Free Trade Agreement in that it would not prescribe inspection procedures and would not supersede our meat and poultry inspection laws. Under those laws, Mexico must have an inspection at least equal to ours. Furthermore, meat and poultry products entering the U.S from Mexico would be subject to import inspection and, if used in further processing, subject to domestic processing inspection.

Ms. KAPTUR. What controls does USDA intend for Third Party countries who ship their meat through Mexico or Canada to the U.S.? Will there be repackaging?

Secretary ESPY. NAFTA, like the U.S.-Canada Free Trade Agreement, would not supersede our meat and poultry inspection laws. There would be no change in the requirement that countries exporting meat to the U.S. have inspection controls at least equal to ours. Products from third party countries would have to be reprocessed and repackaged under an "an least equal to" inspection system before they could be exported to the U.S.

Ms. KAPTUR. Whistleblowing inspectors have reported tuberculosis contaminated carcasses are being exported to the U.S. from Canada. In light of the public health crises surrounding TB, what is the Department doing to control and test for this problem?

Secretary ESPY. In order to control tuberculosis contaminated carcasses, Canadian and U.S. inspectors must detect the disease at time of slaughter. Detection of the disease after the carcass leaves the slaughter plant is not possible. If detected, the carcass is usually condemned. However, in some instances carcasses with TB are permitted to be used in cooked product, which would effectively kill the bacteria.

Ms. KAPTUR. And we look forward to working with you on this in the future.

Secretary ESPY. Thank you. If we get clearance for the Under Secretary for International Affairs that I intend to nominate—and I have a name in mind to put forward as Under Secretary from the Midwest—so we will do it.

Ms. KAPTUR. All right. Thank you.

Thank you, Mr. Chairman.

Secretary Espy.

Mr. DURBIN. Thank you.

Mrs. Vucanovich?

## FARM SERVICE AGENCY

Mrs. VUCANOVICH. First, I would like to commend you for your stand as a champion of rural America. I would just like to remind you, however, that rural America is diverse and that rural Nevada is very different than rural places in the south or in the east.

I notice in your testimony that one of your major proposals will be the creation of a single Farm Service Agency consisting of the Agricultural Stabilization and Conservation Service, Soil Conservation Service, the Federal Crop Insurance Corporation and the Farmers Home Administration. I was happy to hear you say in your confirmation hearing that your priority is to streamline from top to bottom starting with the Washington bureaucracy first and then restructuring the field offices.

Regarding this new Farm Service Agency, I have two questions:

In last year's appropriations bill we agreed to create a new State Farmers Home Administration Office for the State of Nevada. What we did was to upgrade from a sub-state office to a State office. This issue is very important to my state and I would like to know how this proposal to create a new Farm Service Agency would affect the decision by Congress to establish this new Nevada State Office.

I would also urge you to appoint a State Director for the new Nevada office as soon as possible. Someone who understands the issues that affect Nevada.

Secretary ESPY. It is likely that the combined workload of the four agencies making up the Farm Service Agency will be sufficient to justify a state office in each state. Nevada already has a State office for the Agricultural Stabilization and Conservation Service. The Farmers Home Administration has set-aside funds in its administrative budget to establish a State office in Nevada, as required by the Appropriations Act for FY 1993. However, steps to create the office have not yet been taken due to the pending creation of the Farm Service Agency. We are proceeding as fast as we can with our reorganization plans and, I can assure you that positions in the new organization will be filled as soon as possible.

Mrs. VUCANOVICH. Will the creation of this new Farm Service Agency include closing and consolidating USDA field offices as was suggested by former Secretary Madigan?

As far as Farmers Home goes, will this new agency in any way change the jurisdiction of Farmers Home as the creation of the Rural Development Administration did?

Secretary ESPY. There will be office closings and consolidations involved in the creation of the Farm Service Agency. However, the number and location of closing and consolidations still have to be worked out.

Whether or not there will be additional jurisdictional changes within the Farmers Home Administration, I can't say at this time. As you know, the creation of the Farm Service Agency leaves open the question as to which agency, the Farm Service Agency or RDA, should administer the FmHA housing programs. We have not yet answered that question.

Mr. DURBIN. Mr. Thornton?

Mr. THORNTON. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for a splendid presentation. Let me commend you on the aggressiveness with which you are addressing some of the long developed problems of duplication of resources. The efforts you have already initiated on consolidating communication activities is certainly commendable. And there are many areas in which great efficiencies can be made, and many priorities can be established, and I know you are working diligently to attain those. I want to commend you on that.

Secretary ESPY. Thank you.

FOREIGN COMPETITION

Mr. THORNTON. In addition, however, I would like to point out that there have been some good things happening in agriculture.

Am I correct that we closed the last typewriter plant in America last year, Smith-Corona, in New York? I believe that is correct, Mr. Secretary.

I would be pleased to yield.

Mr. WALSH. I just inherited the Smith-Corona plant in Cortland, New York, which just up and moved into Mexico.

Mr. THORNTON. So the last typewriter plant in America closed. In the ten years from 1970 until the 1980s, we shifted from manufacturing better than 80 percent of all the color televisions sold in this country to much less than 10 percent; only one percent of sound systems. I believe these statistics are correct. We are not meeting competition in other areas.

Agriculture remains rather healthy, though. We are competitive in agriculture, are we not, Mr. Secretary?

FOREIGN AGRICULTURAL TRADE

Secretary ESPY. Yes, sir. You know, two percent of the nation's population are farmers and they feed 98 percent of the population. We still have the most abundant food supply at the lowest level of discretionary income in the world.

Mr. THORNTON. In the world.

Secretary ESPY. And it is very safe, it is pretty abundant, and pretty cheap.

And with regard to our trade balance, I mean, agriculture is still a positive net—it offers wonders with regard to our net balance of trade—and agriculture is America's number one industry, in our mind.

Mr. THORNTON. It may reflect the usefulness of planning, and developing partnerships, and policies on agriculture, a policy for this country. These words, I think, ring true today. "The modern achievements of science, skill and enterprise, new ideas with germs of power must be recognized and diligently studied as they have brought and will continue to bring daily competition which must be met. If the world moves at 10 knots an hour, those whose speed is but 6 will be left in the lurch."

Secretary ESPY. Are those your words, Mr. Thornton?

AGRICULTURAL RESEARCH

Mr. THORNTON. No, sir. Those are the words of Mr. Justin Smith Morrill, 130 years ago, in establishing the land grant college

system. Those are applicable, I believe, today in a general way to our economic competitiveness; that we need to have plans which develop public and private partnerships all across the board. And that if we do not tie our inventive genius to the marketplace, we may indeed be left in the lurch.

And the system of agriculture-sponsored research and teaching farmers how to use the results of that research has really made a difference in this country, has it not?

Secretary ESPY. It certainly has, and we need to have that system of research continue.

If I have any criticism of the research, it is that we have not yet had a chance to step back and decide how we will prioritize research across the nation, and then decide which institution will get the research grant. I think we have got to do that instead of looking at it as favored piece, if you will. We have not decided what will be the principal objectives in the future of agriculture into the next century. Is it going to be microbiology? What will it be? And then deciding what we are going to do, where do we want to go, and then which university will get the research grant.

Mr. THORNTON. I think it is important also to recognize that in agriculture, and I wonder if you would agree with this, that it is not only desirable to have solid basic research, but also appropriate to have very targeted research.

Secretary ESPY. Yes, sir.

Mr. THORNTON. And to have research on specific crops or specific diseases or specific problems that may jump up from time to time. In fact, it is the applied research and the extension of that research through cooperative extensions that has really helped to make agriculture strong. Would you not agree, sir?

Secretary ESPY. I would agree with that.

PEER REVIEW FOR AGRICULTURAL RESEARCH

Mr. THORNTON. Years ago I was up here as chairman of the House Subcommittee on Science Research and Technology, and on the Agriculture Committee, and was the author of Title 13 of the Farm Bill, which included the first peer-reviewed research for agriculture, and it has grown and done very well. I commend you for the suggestion that we should increase the competitive grants under the National Research Initiative by $480 million over four years.

However, in commending you for that, I hope you do not mean to discourage the importance of applied research where it may be prudently invested in different areas, such as at the Center for—please forgive me for parochialism—at the Center of Excellence for Poultry at the University of Arkansas, which is 30 miles or less from the headquarters of Tysons Foods. Tyson is the world's largest producer of poultry, and has contributed millions, mega-millions, of dollars into the development of the poultry center. It seems to me to be logical that research in that area might well be funded at such a center of excellence.

## NEW ATTITUDES IN USDA

Secretary ESPY. Mr. Thornton, I again agree with everything you have said, and I wished to have started out on a little bit better footing, to be honest with you. As I got the call from our President asking me to come to be the Secretary of Agriculture, and even before we started all the confirmation and investigation and all of that, I set down a list of seven or eight goals I would like to achieve in my first year of service. However, I had no idea about the delay of some of these other appointments.

I would like to, and I had planned to, enter this job in a very methodical way. I had planned to meet with the acting deputies, to talk about what had been done; to meet with the leadership of the subcommittees and the agricultural leadership on the Hill, to talk about where we want to go; and, to meet with the career employees in a session to talk about new attitudes in the Department of Agriculture.

You know there is a memo floating around that I did not find, Mr. Chairman, it said to the employees, if you will, that if you do not have any business on the second floor, then we do not want to see you on the second floor. I received that memo anonymously. And so I did have a chance to have a talk with employees and I said, listen, this is a new day. This is a new team. All of you who have been here 10, 15, 20 years and have never been to the second floor, follow me.

Mr. THORNTON. Hear. Hear.

Secretary ESPY. It was almost like a pied piper situation. I mean, six or seven hundred employees going through the Secretary's suite in wonderment and amazement of how it looked. Amazing, amazing, that we would not even extend the hand of friendship to people who have worked in our Department for years. So we have taken care of that.

But what I wanted to do was to take the four or five, or six or seven critical issues in agriculture and bring together across the spectrum academicians and industry representatives, legislators, environmentalists, all in separate meetings to discuss this area, and then come out of each of these meetings with a marching plan as to how we are going to attack it, and who is going to pay.

And, honestly, microbiology and organoleptic improvements and sound science was on that paper. We would have had such a meeting hopefully by now. Regrettably however, the chain of human events got ahead of us, and then we had to go and attack that one first. But we have six or seven other areas that we want to get to. And just as soon as we get our folks on board you will start seeing immediate action on these four or five different areas, with research first.

Mr. THORNTON. You understand my point. And I want to congratulate you on that attitude and that expression of interest.

I just wanted to make the point for the record that the Cooperative State Research Service has done a good job in identifying localized areas that need to be given attention. I hope that you will continue to recognize the importance of targeted or applied research as well as in strengthening basic research within the department.

Secretary ESPY. Thank you.

Mr. THORNTON. Thank you.

Mr. DURBIN. Thank you, Mr. Thornton.

Mr. Walsh?

Mr. WALSH. Thank you, Mr. Chairman.

Mr. WALSH. Mr. Secretary, welcome.

Secretary ESPY. Thank you, Mr. Walsh.

Mr. WALSH. We are all very proud of you. As a former member of the authorizing committee I enjoyed working with you and I want you to know that I support your goals. I have been very impressed with what you have said and done so far and I really look forward to working with you in the future.

I am delighted about your comments regarding the studies and plans that have been put in place by former Secretary Madigan and I am glad to see that a lot of that work will not be for naught, that it will be used and helpful to you.

I have a couple of specific questions for you.

#### CROP INSURANCE VERSUS DISASTER RELIEF

We talked earlier about crop insurance versus disaster relief and I think everyone agrees that we have to fish or cut bait on that one. We have to make a decision and I believe that human nature is such that Congress will always feel compelled to react to natural disasters. No matter how many handcuffs we get put on us, we have to respond to our constituents and I am a firm believer in human nature. It is tough to change. You cannot legislate change and we are subject to it here, too.

So if there is a disaster in our district, we are going to want to come to you and to the administration for help.

For that reason, I just think that crop insurance is something that we cannot afford in the face of the need to deal with disasters. That money could be better spent to deal with those natural disasters that are going to occur. And so if I were to state my preference, it would be for continued disaster relief.

One of the things that I am concerned about with the disaster relief program is that, for example, in New York this year, we had a corn crop failure of great proportions. Although much of the rest of the country had a bumper crop, we in upstate New York had a very poor corn crop. Many of our farmers had extremely low-test weight corn and since quality is not a factor in determining eligibility for disaster relief, our fairness were unable to qualify for Federal disaster assistance.

We have had a tremendous amount of moisture, so there was a heavy moisture content in the corn, a great deal of mold in the corn because of the moisture, and it has put a tremendous amount of pressure on not only grain farmers but also dairy farmers who feed their cattle that corn.

#### GRAIN QUALITY DISASTER RELIEF FACTOR

And so I would like to for the record suggest that quality of the grain be taken into consideration as a factor whenever we deal with disaster relief.

On the subject of dairy, since that is a major part of our industry, and by the way, people wonder why anyone from New York

would be interested in agriculture, but, believe it or not, agriculture is our number one industry.

DAIRY PRICE SUPPORT PROGRAM

I would just like to get a general feeling for your position and the administration's position on the dairy price support program and where you see that headed.

Secretary ESPY. I will be in Minnesota tomorrow and I am sure that these questions will come up.

I am generally in support of the dairy program. We know that there are some problems that still must be resolved, principally the marketing orders are areas where we need improvements, particularly with regard to the geography—the differing impact of geography on pricing in the milk order structure. That is a problem and that must be resolved.

I need the good wishes of the Congress in order to do it, to make sure that the Wisconsin dairyman is different from the New York dairyman. It is different. So we just need your help on it. But in general, I think it is an element of the Farm Bill that will continue until the 1995 discussion but I hope that we could reach in and restructure some of the geographical differences.

Mr. WALSH. You would seek continued discussion about the market order structure but as far as the dairy support price program as it stands now, you do not see any dramatic shift towards perhaps a supply management program before the 1995 Farm Bill?

Secretary ESPY. I do not.

Mr. WALSH. What specific actions are you planning to take to ensure stability for dairy farmers?

Secretary ESPY. Specific actions have not yet been determined. However, we will review various administrative steps which can be taken, including more effective use of export programs and other programs geared towards expanded markets and improved incomes for dairy producers.

Mr. WALSH. Thank you.

DAIRY EXPORT INCENTIVE PROGRAM

In regard to the Dairy Export Incentive Program, that program was aggressively used last year to keep the price of dairy products up when we had a fairly substantial increase in production. With current forecasts indicating that the price farmers receive for milk and dairy products will be lower this year.

Do you see the use of the DEIP again to keep the price reasonable for the family dairy farmer?

Secretary ESPY. Let me turn to Steve to help me out on that one.

Mr. DEWHURST. I just do not know if you have had enough time to make a decision on that.

Secretary ESPY. And I hesitate to, to be honest, at a hearing like this because whatever I would say or do on that one would cause

some heartburn and some wallet reductions before morning. So I would hesitate to respond to that one.

Mr. WALSH. Last year, aggressive utilization of the Dairy Export Incentive Program—DEIP—was a significant factor in propping up milk prices. The NMPF estimated that the program increased milk prices by 55 cents per hundredweight. With milk prices for farmers forecasted to be significantly lower this year, is USDA going to continue to aggressively utilize export programs such as DEIP to strengthen milk prices for dairy farmers?

Secretary ESPY. Last month, the Department announced allocations for exports of milk powder, butterfat, and certain types of cheeses under the DEIP during calendar year 1993. The program is moving forward, and we expect it will continue to provide higher prices and other benefits to America's dairy farmers as it did last year.

### REA SUBSIDY LOAN REDUCTIONS

Mr. WALSH. Lastly, the president has suggested some reductions in the REA in terms of subsidies on the loans. Many people feel that the REA has outlived its usefulness, that it was established back in the thirties to provide electricity to rural areas. Today rural areas have electricity and I am concerned about some major telecommunications companies who have been receiving subsidized loans.

Do you think we should go farther than what the president has proposed in reducing the cost of REA or do you think he has gone far enough?

Secretary ESPY. Again, a very good question. I think we need the REA. I do not believe that the Rural Electrification Administration—REA has outlived its usefulness, but I do think, that its mission can be reformed and extended and we should seek additional goals for the REA.

What we would like to do inside of this particular reform proposal is to really move toward a target based program where we would "hold harmless," if you will, a $25 million subsidized loan pool for those who are truly needy, and where have we heard that expression before?

But for those who are truly needy, there would be a security safety net, of sorts, of a subsidized loan pool that they could draw from. Anything beyond this $25,000,000 would have to have an interest rate based on Treasury rates and, therefore, the subsidization would no longer be necessary. That will save the government a bunch of money right there.

But to say that we no longer need the REA, I think is beyond my thinking. I am from an area of the country which again is very poor and there are many citizens without running water. Many, many. And even though we come here today and ask for money for water system construction and sewer system construction under an emergency and a stimulus package, I really hope that we can fashion a whole program where the REA can offer water loans to sewer and water associations that would not impose great cost to the government. Also, that there could be a market program, a bond pro-

gram, if you will, that could be structured, maybe fashioned by the REA.

So that President Roosevelt's mission of electrification across the country could be complemented by our program of providing water for every American inside his or her home.

It just surprised me how many areas are without running water. In my district, my former district, it would have taken 10 or $12 million just in a few areas alone to do this. So, I really hope that we could create this "hold harmless" pool of money, as well as, also improve the goal and the vision of the REA to accommodate some of our continuing needs.

ELIMINATION OR REFORMING THE RURAL ELECTRIFICATION ADMINISTRATION

Mr. WALSH. While I welcome the Administration's decision to eliminate loan subsidies on most REA loans by increasing loan interest rates to Treasury rates, there are many taxpayers who believe the agency has achieved its mission and outlived its usefulness. Press reports have referred to the Rural Electrification Agency as one of these ageless bureaucratic programs that Congress can never stop funding and many lawmakers have called for the elimination or reforming of the Agency. Do you think that more structural reform of REA is required and do you believe that the REA program has outlived its usefulness and should be eliminated?

Secretary ESPY. The REA has been a remarkably successful program that has contributed immensely to the economic viability of rural America. The vast majority of rural areas now have basic electric and telephone service and new loans are being used mostly for the improvement or upgrading of such service.

Although we are proposing reduced subsidies, we are not casting aside a very efficient organization. REA will continue to make important contributions to rural development particularly in working with its borrowers to encourage them to invest in rural development projects. We are also examining the possibility of expanding REA's mission to encompass today's needs, such as improved telecommunications to insure that rural areas have the capability to compete in today's economic environment. Further, we think REA can assist in providing the same linkages to enhance rural education and medical services. REA is presently implementing the Distance Learning and Medical Link program and we are anxious to see this new effort succeed.

CROP INSURANCE PROGRAM

Mr. WALSH. As you are well aware the Federal Crop Insurance suffers from low farmer participation and the program has consistently lost money. Most lawmakers would agree that a crop insurance program cannot be viable as long as there is the promise or expectation of disaster payments. If disaster payments are made available to all producers whenever widespread disaster strikes, then a strong argument can be made that we don't need a crop insurance program. How do your proposed crop insurance reform proposals deal with this problem?

Secretary ESPY. Mr. Walsh, we cannot guarantee that Congress will not continue to provide disaster payments year after year, despite reforms in the crop insurance program. However, area wide coverage should reduce the premium costs to the producers by broadening the base of risk, much like a group health policy reduces cost, and this may increase participation. The area wide coverage will also permit us to eliminate the loss adjustment function which will reduce the overall cost of the program. If, on the other hand, disaster payments were made permanent, it would be difficult to justify continuing the crop insurance program. However, the Federal costs for disaster payments would exceed those for crop insurance for comparable levels of coverage.

PRESIDENT'S DEFICIT REDUCTION PROPOSAL

Mr. WALSH. As Congress and the nation debate the merits and shortcomings of the President's deficit reduction proposal there will undoubtedly be more pressure on USDA to come up with more spending cuts. If faced with the unpleasant task of being forced to make deeper cuts where would you (the Administration) make them? Commodity programs? REA?

Secretary ESPY. The President along with OMB will have to make a judgment as to whether additional spending cuts should be considered. In this case USDA, as well as many other government program cuts would have to be reassessed. As I have indicated in my statement, our farmers have already given a lot and they should be very proud of their contribution and what they do to provide abundant food and fiber in this country. They should be made to realize that their contribution has been recognized by this administration. As far as commodity programs, I am not in favor of taking additional cuts in this area under the current Farm Bill at this time. I believe there are many other options that must be considered before we begin to focus on whether we should make any additional cuts in commodity programs. Also, with regard to REA, it has already been targeted for reductions by removing the loan subsidy and having such loans, in the future, be made at interest rates that are based on current Treasury rates.

MARKET PROMOTION PROGRAM

Mr. WALSH. As you undoubtedly know, New York farmers grow apples, potatoes, and a variety of other specialty crops. Export markets are very important to our growers. However, farmers must often overcome unfair trade barriers and compete against heavily subsidized agricultural products. While testimony yesterday clearly acknowledged the need for reform in the Market Promotion Program, I believe that MPP and other export programs have been important for opening up and expanding overseas markets, particularly for high value, consumer-ready products. What are your views on the Market Promotion Program and do you support full funding of the program at this year's level of $148 million?

Secretary ESPY. The MPP can make an important contribution to our efforts to develop overseas markets for our agricultural commodities and products, and this is particularly true for value-added products. However, the program needs to be administered effective-

ly, and we will be working to ensure that it does. If we are going to use taxpayers' funds for our programs, it is imperative that these funds are well spent. The President's deficit reduction proposals call for a continuation of MPP at the current level of $148 million.

AGRICULTURAL ENVIRONMENTAL PROGRAM

Mr. WALSH. What do you see as the major environmental priorities of your agency and do you foresee more emphasis and funding being given to agricultural environmental programs under a Clinton Administration?

Secretary ESPY. Agricultural environmental programs will be given a high priority within the Department. I support environmental practices and am an advocate for CRP-type programs including the Wetland Reserve Program. I also want to play the role of an honest broker within the Department for certain environmental programs that up to now have not been given very much visibility in USDA. I am an advocate of conservation compliance and want to do all that I can within available resources to help farmers install their conservation compliance plans in a timely manner. Finally, I strongly support research and feel that improving certain technologies will have a direct and positive impact on the environment. All of these activities will be emphasized in the Department and hope that sufficient funds are appropriated to ensure their success.

Mr. WALSH. While I recognize the need to reorganize and restructure the Department of Agriculture, I am concerned that the decision to form a new farm service organization will have unintended consequences. In particular, if ASCS, SCS, and FmHA are consolidated, there is concern that the new agency will, over time, not be able to devote the same resources to ag environmental programs, i.e. the missions of current SCS and ASCS environmental programs will be subordinated to the mission of the new agency, and that pressure will grow for ceding to EPA more and more authority over environmental programs. What do you think about this possibility and do you think that the environmental zealousness of many officials in the Clinton administration will negatively impact farmers?

Secretary ESPY. As I stated previously, I am an advocate for environmental practices and have no intention of subordinating USDA's environmental programs to other federal agencies. The new farm service organization will retain a strong capacity to deal with environmental and conservation issues impacting agriculture. I support many of USDA's activities that benefit the environment including conservation compliance, the Conservation Reserve Program, and the Wetlands Reserve Program and I want to see these programs adequately funded.

NORTH AMERICAN FREE TRADE AGREEMENT

Mr. WALSH. There is a great deal of concern in my district about the NAFTA agreement. Do you foresee any minor modifications to NAFTA's agriculture provisions being made in any of the supplemental agreements to the NAFTA accord that the Clinton Admin-

istration will be negotiating—for example, food safety, pesticides, the sugar provisions?

Secretary ESPY. The President has stated that he intends to negotiate supplemental side agreements to the NAFTA on labor, the environment, and import surges. He has also stated that he does not want to reopen the NAFTA text. It is anticipated that the side agreements will supplement but not alter the NAFTA as currently negotiated. On this basis, we do not anticipate modifications to the NAFTA accord.

With respect to the concerns of your agricultural constituents, let me assure you that the Department of Agriculture will be fully involved in monitoring Mexico's compliance with the NAFTA provisions to ensure a smooth implementation of the agreement—especially in areas concerning the special agricultural safeguards, the elimination of section 22 quotas on Mexican products, and the special provisions on sugar. We expect to participate in the Committee on Agricultural Trade, which is responsible for monitoring and implementing the NAFTA agricultural provisions, as well as, the Committee on Sanitary and Phytosanitary Measures.

Mr. WALSH. What agricultural geographic regions will benefit or be negatively impacted by this accord?

Secretary ESPY. We expect broad economic benefits from the NAFTA for all regions of the country. Border areas are likely to see the greatest benefits from expanded trade and economic activity, but may also feel more competition in certain commodities from increased Mexican exports.

Mr. WALSH. What about the Northeast region? New York?

Secretary ESPY. The Northeast region, given its distance from the Mexican border, is likely to be less affected by the NAFTA than border regions. However, we anticipate gains in exports that are important to the Northeast region—for example, dairy products and fruit. New York, the third largest U.S. dairy and apple producer, can expect to see growing market opportunities for these products in a liberalized Mexican market.

Mr. WALSH. Thank you. No more questions.

Mr. DURBIN. Thank you, Mr. Walsh.

Ms. DeLauro?

Ms. DELAURO. Thank you, Mr. Chairman.

Thank you, Mr. Secretary. It has been quite a morning for me so far. As you know and my colleagues know, I am from Connecticut and we have some agricultural interests but I was born and raised in New Haven and represent an area that is mostly urban though I have two new towns that are more rural.

But for me the discussion about crop insurance and a variety of the other areas has been very good to be an observer and very, very interesting.

Also I would make this observation. I think that your open and free discussion and thoughtfulness and reflectiveness on some of these issues is—and do not get me wrong, there will be tough questioning on both sides of the aisle—but I think if one can look at folks' demeanor that you can get a sense of a tremendous amount of respect you have gained in such a short period of time with what you have tried to accomplish, given some extenuating circumstances.

Secretary ESPY. Thank you.

NATIONAL RESEARCH INITIATIVE

Ms. DELAURO. So I compliment you for that.

I have a couple of questions that piggyback a little bit on my colleague Mr. Thornton's questions which have to do with the research effort and the National Research Initiative.

Your testimony talks about $480,000,000 over the next four years. I may have gotten this wrong but I think in the "Vision for Change," the publication of the President's plan, it states that the NRI will be increased by $188 million over the next four years. I do not know if it is 188 or 480 million.

Steve?

Mr. DEWHURST. The reason is because in the President's book, that is an outlay number. We are asking for $488 million over time in new budget authority. The money gets spent out over years after the grants are made so the outlay number tends to be lower.

NRI VERSUS CSRS GRANTS

Ms. DELAURO. Okay. Thank you.

Can you for me, just again by way of information for myself, talk a little bit about the difference between the NRI and the Cooperative State Research service grants?

What is the difference between those plans?

Mr. DEWHURST. The Cooperative State Research Service—CSRS—makes grants really in three ways, at least the way I see it. It makes basic formula grants to land grant institutions that are based on a legal formula that Congress specifies. The appropriated money we give out supports the institutions in the work that they carry out.

Ms. DELAURO. In the work that they are doing. Okay.

Mr. DEWHURST. We then also make grants which go under various names but one vernacular is "special grants." Those tend to be targeted grants. They tend to be somewhat more in the applied category than in the basic category and they are essentially awarded sometimes under a competitive kind of scheme and, frankly, sometimes at the specific direction of the Congress to provide a certain grant to a certain university or a certain recipient.

And then we have what we call competitive grants which are a peer reviewed system, as Mr. Thornton talked about, where we have a pot of money and we identify basic areas of work that the department thinks should be done. That work goes out on a competitive bid and scientists, any scientist from any university, from the Federal Government or private industry, who wants to compete for that money and meet the needs at the lowest cost with the best science can compete for that money.

That program tends to be more oriented toward the basic side of the ledger than the applied side of the ledger.

There is always some competition and some tension in the three categories and if one category goes up and another goes down, some folks are concerned and some folks are happy. But, that is sort of what we live with in the current budget and you cannot

keep them all growing at the same rate all the time. At some point there has to be some trade-offs.

CSRS GRANT REDUCTIONS

Ms. DeLauro. What was the basis of your decision cutting back the cooperative state research service?

Was it the peer review piece that was influential?

How did you come to the conclusion that you had to pull back on that?

Mr. Dewhurst. I think it is fair to say, and Mr. Durbin will tell me if it is fair to say, that the executive branch over time has tended to favor a peer reviewed, competitive kind of system for research.

The Congress has also supported that but the Congress has also asked us to make some very specific grants to specific folks and executive branch budgets have tended to treat those as lower priority and not recommended their continuing funding.

So when you see recommendations in the budget for elimination of lower priority research, you are talking about the targeted kind of research that frankly gets written up as pork barrel research in a lot of cases and that is where the tension is in the system.

COMPETING FOR CSRS GRANT FUNDING

Ms. DeLauro. In terms of the opportunity for some of these, will the opportunity be available for these centers to compete for the funding that will be available?

Mr. Dewhurst. Historically, about 60 percent of the competitive research grants are made to land grant institutions who also benefit from the other programs I described.

Ms. DeLauro. I see.

Mr. Dewhurst. So many of those universities and centers are well equipped to compete for that money.

Ms. DeLauro. And how long will it be before there is information on the basis—the regulations, et cetera, for competition for the money? Or will the regulations stay the same as they currently have been for the NRI program?

Mr. Dewhurst. My understanding is we have basic regulations in place that set the rules of the game and what forms you have to file and what information you have to provide.

What you will find in the details of the budget when it comes up is sort of a programmatic description of where the needs are, what sort of programmatic emphasis and folks will have to then combine the programmatic needs with the technical requirements and make their offers.

Ms. DeLauro. Okay. Thank you.

Mr. Thornton. If the gentlewoman would yield?

Ms. DeLauro. Absolutely.

TARGETED RESEARCH

Mr. Thornton. I thank you for yielding.

My concern, and I really appreciate your picking up on this and carrying it forward in detail because indeed the strength of the land grant system was in its focus on targeted research, on moving

ideas from the laboratory into the marketplace and there has been, indeed, a tension between those who think that the basic science is all that is important and no one needs worry about whether that can be distributed. And those who believe that our economic success is dependent upon moving the results of scientific discovery into the marketplace.

And so I just want to go on record as supporting the thrust of your position, that we should not cut targeted research as we seek to improve basic research.

MARKET PROMOTION PROGRAM

Ms. DeLauro. Thank you. I just have one more question, Mr. Secretary. And it has to do with the Market Promotion Program. We heard from some folks about the program in the last couple of days. And I noted that your proposal calls for freezing the level at $200 million. And maybe this is unfair, but only based on what I heard and some of what I read, I think that my basic instinct was to cut it. But I will go with your view of freezing it.

Can you share with us some of your thoughts and ideas about how really to look at this program in an evaluative process, and the whole issue of phasing out, and of graduation, and additionality. That would be helpful.

Secretary Espy. Thank you.

We have proposed a freeze and not drastic cuts, because we believe that it continues to be a necessary and a viable tool as we continue to emphasize our approach to developing new markets, and having a basis from which to resist incredible attempts by our EC competitors to subsidize their products undermining our price in domestic markets. It is a tool and it is a lever.

We think that whether it is the DIEP or whether it is the MPP, we continue to need and have these type of mechanisms, at least until we have an adequate and effective GATT agreement, which will drop the barriers across the world. We think that until we have that, that we have to maintain a strong front at these international talks.

I realize the criticism that this particular program has come under. And I can appreciate the need to reform the targeting of the way that this money is spent. If I could just say, I would favor the MPP program turning toward commodities across the board, as opposed to branded companies.

I would appreciate more of an appreciation of generic as opposed to specific branded commodities. And whether it is raw products, or raw commodities, or processed products, or value added products, I would rather do that than target a company. That is the way that I would like to go.

Ms. DeLauro. Well, that is an approach I think that there was some uniformity of agreement that appeared in the last couple of days. So we will be anxiously waiting to see what happens there.

Secretary Espy. Thank you.

Ms. DeLauro. Steve.

Mr. Dewhurst. You used the figure $200 million. And I just wanted to make sure that you understood that the Congress cut

this program to $147 million last year. And that is where it is frozen.

Ms. DeLauro. Oh, it is frozen. Okay.

Mr. Dewhurst. Yes, ma'am.

Ms. DeLauro. Thank you.

Secretary Espy. Thank you.

Ms. DeLauro. Thank you, Madam Chairman.

Ms. Kaptur. Thank you.

Mr. Myers?

NATIONAL RESEARCH INITIATIVE

Mr. Myers. You indicate your support for an increase in competitive grants under the National Research Initiative. What was your request to OMB for funding of the program in FY 1994 and the next four years?

Secretary Espy. Given the time available to develop the 1994 budget, I did not submit to OMB specific proposals for funding levels. I am very pleased with the funding level for the National Research Initiative which we were able to work out with OMB. This budget will provide a growing level of investment to support the most highly meritorious research targeted to the needs of producers and consumers of agricultural products.

WETLANDS ISSUE

Mr. Myers. I am concerned with federal enforcement of wetlands legislation and hear from many farmers in my district who are prohibited from using their farmland because it is deemed a "wetland" by the Soil Conservation Service or some other federal agency. How will you work to ensure farmers receive a fair voice in the wetlands issue?

Secretary Espy. I will work to ensure the intent of the 1990 Farm Bill is addressed in Federal wetland delineation policy and procedures. Also, I will work to ensure that the policy and procedures are fairly applied as we recertify the wetland determinations that have already been made. These actions will help farmers receive fair treatment in wetland issues.

REORGANIZATION OF THE DEPARTMENT

Mr. Myers. During testimony before our subcommittee last year, Secretary Madigan indicated he was initiating a study on the duplicative efforts of the many agencies under the USDA. Has that study been completed? In addition to your stated position on reorganization, do you plan to focus on the many duplicative missions of the offices under your agency?

Secretary Espy. I am not aware of a specific study on duplicative efforts of USDA agencies. Secretary Madigan did share with me his suggested reorganization plan which may have resulted from discussions with his policy staff on ways to reduce duplication.

I am looking at duplication and overlap of agency functions as I look at USDA's organization. I am considering centralization of some administrative functions where it makes sense to do so. We probably need to centralize the public relations staffs in the Department. Many of our agencies have large public relations staffs

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which may be more effectively managed at the Department level so that we can reduce costs and do a better job of setting priorities.

Mr. MYERS. It has come to my attention that, during the reorganization of USDA's Washington offices, the Extension Service may come under the jurisdiction of the Under Secretary for Farm Programs rather than the Assistant Secretary for Science, Education and Economics. What is the justification for this move?

Secretary ESPY. I have not made a final decision on such organizational arrangement. Such a move, however, may be justified to provide for greater coordination of agencies that directly serve farmers through oversight of a subcabinet official responsible for farm programs.

Mr. MYERS. Wouldn't it make more sense for the Extension Service, which has the mission of education, to be rolled under the Assistant Secretary for Science, Education, and Economics?

Secretary ESPY. I appreciate your suggestion and will keep it in mind as I look at options for restructuring USDA.

Mr. MYERS. Please detail the lower priority economic and agricultural research which would be eliminated, according to your testimony.

Secretary ESPY. We have not completed our planning so as to provide you with the details of what research will be eliminated. In the area of economics these changes will reflect the priorities of the new Administration. Agricultural research projects which tend to focus on local interest will be eliminated. The details of these proposals will be submitted to Congress in the FY 1994 Budget justification materials.

### MARKET PROMOTION PROGRAM

Mr. MYERS. The Market Promotion Program has received much criticism in the past, but as our farmers and producers face increasing global competition in the form of export subsidies and closed markets, we need to enhance our export programs. What is your position on maintaining full funding of the MPP?

Secretary ESPY. The President's deficit reduction proposals recommend that MPP be maintained at $148 million in FY 1994 and succeeding years, which is unchanged from the FY 1993 level. While the proposal would result in an annual MPP program level somewhat below that mandated by the 1990 FACT Act, substantial funding would still be available each year to support export promotion activities overseas.

### EXPORT PROMOTION EFFORTS

Mr. MYERS. What other efforts to increase American farm exports can we expect from the Clinton Administration?

Secretary ESPY. The Administration intends to implement agricultural export promotion programs aggressively. The income and financial well-being of America's farmers and ranchers depend on overseas markets, and it is critical that we pursue and develop these markets. While it is too early to give you specifics of what actions we might be prepared to take in this effort, I have stated that one of my first priorities is to establish a policy with respect to the former Soviet Union which will allow U.S. exports to resume to

those markets. Another area which merits examination concerns efforts to increase exports of high value and value-added commodities.

Ms. KAPTUR. Mr. Peterson?

Mr. PETERSON. Thank you, Madam Chairman.

And I appreciate you coming back, Mike. We have worked you over pretty well, I guess, in the last couple of days, as well as your crew. You clearly have an incredible task ahead of you. And I commend you for your reorganizational efforts. That is something that is going to take quite a bit of effort to accomplish.

USDA TESTIMONY—LACK OF CANDOR

And I really cannot miss this opportunity to suggest that a couple of the panels that came from the Department, were terribly disappointing in their lack of candor and opportunity to make some friends here. You know, there are a number of us who are relatively new to this committee. And I just did not feel that they were forthcoming in telling us the straight scoop. And that is all that we ask.

As you know, you have, and I think that the Department realizes that you have a lot of friends here. That we can accomplish a great deal by working together and with great candor. And I think that we can really get away from maybe what it has been in the past. Several of the answers from previous panels were, "Well, that is the way that we have always done it." That just is not going to sell anymore. And I would really encourage you to really hit them hard all the way down to the local levels in that regard.

Secretary ESPY. Thank you, sir.

If I could respond to that, and request just a little bit of patience from this committee. This committee is very important. And the folks who came before you with this attitude may not be the same folks who come before you next month, and they know that.

Also, there has not been time to have significant discussions between divisions and the Secretary's Office on approach. There just really has not. We have been there four weeks. I just met recently with all of the acting directors to talk about priorities and specifics. We have only had one real meeting so far.

There are just so many things coming at us and so little time. The E. coli situation hit us in the face right away. And we have not had a chance to set our feet, as I have said before, and get moving with a new team.

There are things being said that I disagree with, to be frank. I have read things in the paper that are completely 180 degrees different from my opinion. There was a statement by an Administrator, the spokesperson for the Administrator of the Farmers Home Administration, saying that there is no racism in Farmers Home.

And I know that there is racism in Farmers Home. I have seen it personally in my own district. In my life as a Congressperson, I have had a hearing before Government Operations on racism in Farmers Home. I know that there is racism. And we had a talk the next day about it. So that person may not be the same person there the next month.

So just give us a minute. We are going to change that one.

Mr. PETERSON. I commend you for that. Rest assured, there are plenty of patience here. It is just that our first shot was a little bit disappointing in trying to get the flow of information. And that is all we are asking.

Secretary ESPY. That will change.

LOCAL REORGANIZATION

Mr. PETERSON. And you have my support.

You plan to collapse a number of agencies together, particularly at the local levels, for the one stop shopping, which is absolutely something that I support firmly. I am wondering if there is some idea of how those agencies would be directed.

Who will take over in your secretariat levels and down in the direction? You know, these have all had their single line. Where do they merge now, is it at the local level, or is it merged at the department level?

Secretary ESPY. Again, I would like to ask for a specific hearing from you on reorganization. I will be able to answer a lot more of these questions. However, it is pretty clear now that some trends are developing. At the Washington level, this is the level where we will reorganize first, we will collapse the ASCS, the SCS, the Farmers Home farm function, and, perhaps the Extension Service and the Federal Crop Insurance, if we decide to continue the crop insurance program.

I would imagine there would have to be a regional operation similar to that. And being at the local level, we know of a lot of efficiencies that can be realized if we do it there.

So I am not sure, at this time, that I understand where they will merge. There will be an Under Secretary for Farmer Services. At the regional level, I would imagine that it will be the same thing. At the state level, this is where we come to the log jam, as it were, because there is now a State Director of Farmers Home, and a State Director of ASCS, and the Soil Conservation Service. That is where we are going to have the problems, and I realize that. I just ask the cooperation of the Congress, as we get to this point.

Similarly, we also are coming to another tension point between the remaining facet of Farmers Home. Farmers Home right now is the supervisor of the housing programs, the USDA housing programs.

We have already had the creation of the Rural Development Administration—RDA, which has the business and industry, and sewer and water functions. Well, what are we going to do there—we will continue the RDA and switch over the Farmers Home community development functions, housing, or will we continue to maintain the Farmers Home and eliminate the RDA.

On our schematic, we have an Under Secretary for Rural Development. Right now, that is RDA, REA, and Farmers Home. Something has to be done there. But again, we will realize substantial savings if we just decide on a course and do it. Someone is going to get hurt. I am not sure how we are going to resolve it, but it has got to be resolved.

Mr. PETERSON. Well, I will leave those for another hearing then. A question comes to my mind. In the REA, we are talking about the rural electrification aspects of it. And I think that there are some problems here. In that if you look at customers per mile versus say an urban operation, you still do not have the numbers up there to where they can be very competitive. You know, to run longer lines, and create more capacity and so on. That is one side of it.

The other side is the ability for those rural communities to stay on board in advanced telecommunication. The large companies do not like to go into those rural areas, because they are not making any money.

And therefore, has there been any thought to continue that area of assistance, or are we going to do away with the REA as it exists in both the electrification and the telecommunications area?

Secretary ESPY. I am not sure that I can answer that one. I would turn to Steve just to make sure of the correct response. I cannot answer your question specifically and I will admit to that. Let me assure you, though, we will review the situation, and offer you an answer in writing.

In general, as Secretary of Agriculture, I am intent on making sure that the same services made available to the urban area be also extended into the rural areas as well. We will no longer ignore rural areas, as I think we have been across this country for so many years. And that pertains to every area of rural development—including telecommunications improvements and communications technologies.

During the confirmation proceeding, I was really impressed by a certain Senator, who told me that the difference between the cost of providing the Prodigy software for an urban center in his state and the 400 percent plus increase in cost of the Prodigy software for a rural area of his state which is about twelve or thirteen miles away. It is just that the infrastructure is not there. It is just not there. And people want to make money. So to extend the service, you have got to pay more.

If I can have any contribution as Secretary in rural development, I want to make sure that each and every community without water can have water. And that each and every community in need of the benefit of technology can get it as well.

The Vice President, who is in charge of the President's campaign for new technology—I think that everyone knows that—is from Tennessee. So we are going to be working together to make sure that whatever comes out of that program has substantial benefits to rural America.

Mr. PETERSON. I appreciate that. And I know that I am exceeding my time. But people have to realize that those marginal rural areas that are without services today will be the new urban areas very soon. So you are building into future infrastructure. That is an investment that I think we need to keep in mind. But I appreciate your answer. Thank you.

Mr. DURBIN. Thank you, Mr. Peterson.

Mr. Pastor?

Mr. PASTOR. Thank you, Mr. Chairman.

NATIONAL RESEARCH INITIATIVE

I know that some of my colleagues have discussed this with you. And I have some concern regarding the National Research Initiative.

Secretary ESPY. Yes.

Mr. PASTOR. And my concern is that it tends to be peer review. You know, the science people get together, and maybe it is a good idea. And we do not know the application to the industry once the research is done. There are some concerns that I have that are localized in Arizona or maybe the West.

What chance are we going to have to come to you and say we have some problems, and we need to have research on a particular problem, whether it be a pest, or a fungus, or whatever, to eliminate it? It may not be a high priority with the science people, but it is higher priority with the agricultural people out in our district or our state.

Mr. DEWHURST. When you see the details of the budget in a couple or three weeks, you are going to see some money for the National Research Initiative. You are also going to see some money, I think, for targeted kinds of research. And I think that is what this process is all about. To the extent that you disagree or have problems with that distribution, I think that the Secretary and others want to hear about it. I think that there is a complete openness to look at all of those questions.

Mr. PASTOR. You also indicated the administration will propose an increase in the level of funding for competitive grants under the National Research Initiative of $480 million. Will a higher priority be awarded to those projects that are likely to enhance our competitive advantage in the world market and which help reduce our trade imbalance?

Secretary ESPY. Many of the research projects funded competitively have a high potential to improve quality and value of products and, therefore, the competitiveness of U.S. agriculture in world trade. The justification for a grant proposal is a key factor considered in the proposal evaluation process. Justifications typically include the need to reduce losses from pests and diseases, obtain more efficient use of inputs, enhance sustainability of natural resources, identify new markets for commodities and value-added products, and improve the economic viability of rural areas to support domestic and export agricultural marketing. Additional funding for competitive research grants should further enhance the nation's ability to compete.

Mr. PASTOR. More specifically, I am interested in seeing the Government support projects that assist producers in improving the quality of crops. Will research on crops such as cotton, that are a major export item, but which are affected by an unrelenting pest, be given an elevated priority?

Secretary ESPY. I understand that the National Research Initiative staff met with representatives of commodity groups at workshops in the last two years to gain their input about research needs to improve the quality of crops and to consider priorities in coping

with insect and other pest problems. One of these groups represented cotton and oilseeds. Following the workshops, the needs are assessed and incorporated into the request for research proposals. It is our intention to follow this procedure to identify key problems and gain the research knowledge needed to resolve critical problems affecting crops such as cotton.

### FMHA BUSINESS AND INDUSTRIAL GUARANTEE PROGRAM

Mr. PASTOR. I am not too familiar with many of the programs. But I have been told that the Farmers Home Business and Industrial Guarantee Program is one that is successful and that people look to for assistance.

The first question is, what are we going to do to that program. Are we going to expand it, or are we going to leave it about the same, or is it going to be cut.

Mr. DEWHURST. Sir, there is in the President's proposal a major Rural Development Initiative. And while we do not have all of the numbers on all of the lines, I think that it is fair to say that there will be a substantial increase in funding for the business and industry guarantee program, if the Congress agrees over the next few years. That is a program that is going to be bigger.

Secretary ESPY. If I could just say, we have taken that program and transferred it into RDA. You know, Farmers Home continues to have the farm program loans and the housing loans. And RDA took over all of the water and sewer and business and industry areas. So again, as I said, in answer to an early question, we are going to have to consolidate as we create this new FSA. But it is safe to assume that rural development will continue to be an extremely high priority, and one that we will request increases for in this rural development initiative.

### MINORITY AND WOMEN OWNED BUSINESSES

Mr. PASTOR. One of the things that I have an interest in seeing is that these programs give some priority to minority and women owned businesses, I would suggest to you that maybe one of the priorities in giving out loans and other assistance be that we improve our outreach programs and do whatever is necessary to ensure that people know they are available and maybe even begin to set aside some of the program funds for these purposes. We might consider a Section 8(a) type program.

Secretary ESPY. I was an advocate in my tenure as a member of this Congress, I was an advocate and was the sponsor of and introduced a bill called "The Minority Farmers Rights Bill," and it was authorized and funded, not at the level we requested, but it was still funded nonetheless. I am not quite sure if USDA at that time ever quite considered this as a worthy project and so it never really got off the ground.

However, we will be reviewing these ideas very soon under the present authority. But suffice it to say that I believe in the 8(a), I believe in set-asides, I believe in promotion, I believe in welfare reform type targeting for micro-enterprises as well. And the philosophy that you advocate is certainly one that I share.

Mr. PASTOR. Thank you.

The other one is I commend you. I think that at least as we enhance the programs and go forth to make sure that our farmers and ranchers are getting a bang for their buck, I commend you in the consolidation phase you are going to undertake. I think it is important that we look at the various agencies, make them lean and mean and also more effective. So, any help or suggestions I can provide, I will provide because I think that is now the mode, should be the mode for myself and this committee, to assist you and see where we can consolidate.

REDUCTIONS IN TRADITIONAL FARM PROGRAMS

Secretary ESPY. You know, if you look at what we spend across the board, whatever savings we accrue I really hope would alleviate some of the pressure on our reduction in traditional farm programs.

We need these programs. That is why the committee can see that we were very hesitant to attack traditional farm programs. I mean, there is only one—the honey program—that we suggest would be eliminated soon, and we hope by 1996, the first crop year after the Farm Bill, we hope that we will have made significant progress at the GAT, that the reductions would be seen in the light of the international context. But until that time, we think these programs are very valuable, they are very necessary.

Again, we have talked about elimination of honey and reductions in wool and mohair and some other targeted reductions, but in the main we know they are necessary. We know we are involved in international negotiations, therefore we did not touch them significantly.

REORGANIZATION OF THE DEPARTMENT

Mr. PASTOR. Would you support, as part of the reorganization of the Agriculture Department, a consolidation of agencies that have related functions with the goal of reducing administrative overhead? In particular, I am referring to a consolidation of the Office of International Cooperation and Development and the Office of the General Sales Manager under the Foreign Agricultural Service. Also, I would encourage your consideration of the incorporation of the Agricultural Cooperative Service within the Rural Development Administration. And, finally, folding the National Agricultural Statistics Service, the World Outlook Board and the development of grading standards within the Federal Grain Inspection Service into the Economic Research Service.

Secretary ESPY. Generally, I do support the consolidation of agencies that have related functions for a number of reasons not just because of the reduction of overhead costs. I believe the Department needs better organization and clearer lines of authority to provide for more effective management from headquarters to the field level.

In response to your specific suggestions for agency consolidations, I will keep these suggestions in mind as I make decisions on the final organization of USDA. As I mentioned earlier, I have not completed my overall plan for structural changes at USDA, but we will propose the creation of a Farm Service Agency. The fiscal year

1994 Budget will contain a proposal for a single Farm Service Agency at the National, State and local levels. This agency will be created from the current agencies serving farmers at the country and regional level. These agencies include the Agricultural Stabilization and Conservation Service, the Federal Crop Insurance Corporation, the Soil Conservation Service, and the Farmers Home Administration.

### WETLANDS

Mr. PASTOR. You indicated during the fiscal year 1994 budget hearing that problems associated with wetlands would be closely scrutinized by this Administration. As you consider options to help preserve the valuable resource that wetlands represent, would you also consider that unintentionally created wetlands may need to be treated differently from naturally occurring wetlands? These wetlands are the by-product of human activity such as runoff or the creation of temporary barriers to help control the large quantities of water that may flow one or two weeks per year.

Secretary ESPY. Wetlands created by human activity are labeled artificial wetlands by USDA and are exempted from the swampbuster provisions of the Farm Bill.

Mr. PASTOR. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. DURBIN. Thank you.

Mr. Smith?

Mr. SMITH. Mr. Secretary, I cannot tell you how pleased I am with the way you are approaching your job. It is a very important job and no matter how good you do it, there will be people that complain plenty. I know that.

Secretary ESPY. Yes.

### WESTERN AND EASTERN EUROPE

Mr. SMITH. Some of us were just over in both Western and Eastern Europe and among other things we looked at agricultural problems. It has been a failure, both Western and Eastern Europe, not just Eastern Europe. In both instances, they have tried to separate the rewards and the penalties from the volume of production. It does not work.

We have been able to create a combination of farm programs here which result in very low food prices. Food costs are less than 13 percent of people's average income, for those that can pay their way and for those that cannot, we make sure they have food.

For centuries, countries have tried to do this and have not been able to do it. And yet we have seen so much bad mouthing of these food programs over the last 20 years or especially the last 10 or 12. Often an extreme example is picked out and played up as if it is the commonplace.

I mean, we have a tremendous successful story to tell and I hope you will use your pulpit to do that.

Secretary ESPY. Yes, sir, Mr. Smith.

We hope to become the Chamber of Commerce for agriculture, if you will, to take these programs that sometimes are very compli-

cated to explain and go out across America and talk about their application in a human, every day context.

Mr. SMITH. The bottom line is that food is cheap and for those that do not have enough resources to buy cheap food, we find a way to get it to them.

Secretary ESPY. If you farm, you are involved in agriculture. But if you eat, you are also involved in agriculture.

Mr. SMITH. Absolutely.

Secretary ESPY. And if you produce fiber, you are dedicated to agriculture, but if you wear clothes you are still involved in agriculture. You know, that is how I would like to state it.

COUNTY OFFICE PAPERWORK

Mr. SMITH. The second thing I want to mention is I have talked to you about the paperwork burden. It is just terrible.

Secretary ESPY. Yes.

Mr. SMITH. I will not go through all the things that I talked to you about but are you working on reducing the paperwork in the ASCS offices?

Secretary ESPY. Yes, sir. We took your memo and we have really reviewed it and I think that I will be ready to respond to you in a day or so on specifics.

Mr. SMITH. Okay. Take whatever time you need, just so we get a good response.

FARMER OWNED RESERVE

Secretary ESPY. Well, you will get a response. I think the Farmer Owned Reserve ideas, you notice we have already taken some action on some of those. The paperwork and the streamlining, we are going to try to present some of these ideas at the same time we do our reorganization.

Mr. SMITH. Then I guess, I will kind of be a cleanup person, on some of the things that were brought up earlier.

CROP INSURANCE

About crop insurance, you said area yield but I think you mean county average yields.

Secretary ESPY. Yes.

Mr. SMITH. What I want to point out is that we got into this proven yield mode some years ago. It was the wrong thing to do. I have opposed it even though most of my neighbors wanted to get into it. It is wrong. But it is also in ASCS and we are using it to determine deficiency payments. Some producers may have by accident had better weather back there. Also, something strange may show up when people have farms side by side, one they own and one they rent. They sometime have a much higher average yield on the one they own.

Secretary ESPY. Yes.

Mr. SMITH. We ought to just do away with proven yields. Use county yields. It will save you a lot of money and it would be a lot more fair. Most producers will tell you it would be more fair, even if they have a high yield. It was not fair and we just put that into

the historical data, you know, and kept it there. That is a way you can save some more money.

FOOD STAMPS

Another issue that came up was food stamps.

We have people who think that you solve a problem by cashing out food stamps. To start with, most people that get food stamps are not crooks. But there are always a few of them that just cannot handle money, or have a dependency, and some of them want to gamble. You are not going to help those people by just giving them cash. All that means is instead of having 25 cents to buy a bottle of wine, they will have a dollar.

That is not what we want. Cashing out food stamps is not going to be an answer to the problem we have in food stamps.

Secretary ESPY. And we are certainly not suggesting that.

Mr. SMITH. Yes. Well, a lot of people are.

Secretary ESPY. Yes.

SCHOOL BREAKFAST PROGRAM

Mr. SMITH. I am all for the school breakfast program. Those kids ought to get breakfast at home but we all know that many would not get breakfast at home, anyway. If they do not get breakfast at school, a lot of them do not have a chance to learn until noon and at noon they get a little hamburger and that is not going to sustain them, either. I am all for the breakfast program and I hope that you will stick with that.

Secretary ESPY. We will.

MEAT INSPECTION

Mr. SMITH. Another thing is meat inspection.

As you know, I was the author of the meat and poultry inspection bills and egg inspection, too. You mentioned SIS cattle. We killed that, you know as of the first of April.

Secretary ESPY. Yes.

Mr. SMITH. But just be sure when you are talking about fees that you do not get into the situation where an inspector is beholden to the slaughterer. Inspectors like to have overtime.

Secretary ESPY. Right.

Mr. SMITH. And do not get into the position where the inspectors would overlook their responsibilities, if the packer is treating them good by giving them plenty of overtime.

Secretary ESPY. Right.

WHOLESOME MEAT ACT

Mr. SMITH. And remember this about the Wholesome Meat Act. It is the Wholesome Meat Act. The purpose is to make sure the meat is wholesome as well as dealing with the microbiological problems that exist.

We do not want them just to wash off fecal matter at the end of the line, as they do in the case of poultry. If it was ever on there, just cut that piece off and throw it in the dog bin. As long as you do not require them to trim all filth they are not going to be care-

ful along the line. And I know you are working on that problem, too.

Secretary ESPY. We are working on the trimming problem as well.

HOUSING

Mr. SMITH. On housing, I just want to say that, I saw in the sweat equity program in Mississippi. That is the greatest program. I wish we could just duplicate that everywhere in the country. For as little as $10,000, get themselves a little plot of ground, the building materials and with a little help they can go out and build themselves a house. I just think that is the greatest program. Because the HUD programs cannot be bothered with anyone living in a city with a population under 20,000, it is the housing programs under your jurisdiction that meets the needs in rural America, and in what we would call city America in the midwest.

Secretary ESPY. Urban America. Right.

Mr. SMITH. So those are just some of the things that I wanted to mention to you.

WETLANDS PROGRAM

I will also say one thing about that the wetlands program. Keep in mind that there is a lot of difference in a wetland that is caused by a glacier and one that was not. I mean, in our country, starting at Des Moines and north, the last glacier was 10,000 years ago. We have potholes smaller than this room that are designated as wetlands. It is just not practical to farm around them. I mean, they have always farmed across them. There will not be a duck stop there in the next 40 years. And you have to realize that glacial till wetlands are different than some of the others they are talking about. You cannot put them all in the same category.

Well, anyway, those are some of the things I wanted to bring up.

Secretary ESPY. Almost as many as in your memo.

Mr. SMITH. Yes. [Laughter.]

Mr. DURBIN. Mr. Rogers and Mr. Livingston, both members of the Appropriations Committee have submitted questions that they would like answered for the record.

[The questions and responses follow:]

FIELD OFFICE RESTRUCTURING

Mr. ROGERS. I would like to know what your plans are with respect to field office closings, specifically: When do you plan to address the issue of field office restructuring? Do you plan to conduct a new review of field office structures? Do you plan to revise the criteria used in determining field office efficiency?

RESPONSE. This is an area which was aggressively pursued in the previous Administration and we have inherited a great deal of staff work on the subject, particularly on the county based agencies of the Agricultural Stabilization and Conservation Service, the Federal Crop Insurance Corporation, the Farmers Home Administration, and the Soil Conservation Service.

We are looking at field office restructuring as a part of the larger issue of headquarters restructuring. In the case of the county based agencies, the field structure will be effected by the FY 1994 Budget proposal to create a Farm Service Agency. Details of this proposal and implementation plans have not been finalized, so I cannot give you a specific information on whether a new review of field offices will be needed.

I am not committed to Secretary Madigan's short term proposal to close field offices while maintaining the same structure, although I do want to review that plan in detail. I plan to ask the State Directors for ASCS, SCS, and FmHA to submit

implementation plans based on the Madigan proposal to provide us with additional background information on field office closings. However, I have directed that any full scale closings be postponed. Normal office closings that are the result of lack of workload, retirements and have local and other support will continue.

We are also looking at the rest of the Department's field structure as we review the functions of other agencies. The other agencies with field structures also completed a review of their field structure and evaluated offices in the same manner as the county-based field structure. This information may be useful to achieve savings and other improvements.

Mr. Rogers. Will you present any field organization plans to the appropriate Congressional committees for review?

Response. Yes. I believe it is important to work with Congress on this whole restructuring issue, so that I can have your recommendations and support. As you know one of my top priorities is rural development. I am concerned that the restructuring effort benefit our taxpayers and the local communities. I am going to be looking for Congressional help to achieve a smooth transition that truly makes improvements in the way our government is run.

Mr. Rogers. Will you solicit local county committee input before proceeding with any proposal?

Response. We will be working with our State and local level employees who will solicit input from the local county committees.

Mr. Rogers. When do you anticipate completing work on the field office restructuring?

Response. We have not yet established a timetable for completion of the Farm Service Agency restructuring, although we expect this change will take a number of years for completion after Congressional approval. We are not as far along in our review of other field offices and do not yet know what changes may be needed.

## NATIONAL FINANCE CENTER

Mr. Livingston. USDA's National Finance Center (NFC) in New Orleans was established in 1973 to continue to provide consolidated payroll and personnel services for the USDA and to design, develop, and operate integrated, automated, cost effective administrative services (referred to as "cross servicing") to about 100 customers in all three branches of government. The Center's operating budget for FY 1993 is over $100 million, but this budget, as I understand, is completely recouped by fee for service arrangements with its customers throughout the Federal government. No direct appropriated funds are used and the cross servicing that the Center does provide has provided documented savings in the millions to USDA and other Federal agencies.

Mr. Secretary, as you may know, since 1991 there has been a moratorium on the expansion of cross servicing by the National Finance Center, despite the fact that USDA, other agencies and the GAO have documented millions in savings from cross servicing. As our new Secretary, would you re-evaluate this cross servicing moratorium?

Response. Yes, Mr. Livingston, we are currently re-evaluating the cross-servicing moratorium. I have asked the Chief Financial Officer of the Department who is the Assistant Secretary for Administration, to re-evaluate the cross servicing moratorium considering the benefits to both USDA and the Federal Government as a whole, the internal needs of USDA and the original reasons for implementing the moratorium. That evaluation is currently in process.

According to the information I have been provided, the moratorium on cross-servicing was implemented based on Inspector General, client and other outside reports of poor internal controls, lack of attention to internal USDA management needs, and inefficient use of available software technology. The experts responsible for this area in the Department tell me these issues were not being adequately addressed by the management then in place at NFC. Further, they tell me that the Centers priorities must be focused in four crucial areas:

1. Providing a balance between the Department's internal requirements and the opportunities for cross-servicing,
2. eliminating material weaknesses reported in Inspector General and other audit findings—e.g., ADP security, general management controls, and USDA consolidated financial statements,
3. modernizing existing USDA systems developed and operated at the NFC through short-term, high payoff projects to achieve greater efficiencies and customer satisfaction, and

4. building the infrastructure at the NFC—staffing, training, hardware, and software—to enable the organization to provide effective, efficient systems for internal operations and cross-servicing.

Mr. LIVINGSTON. For the record, haven't the cross servicing implementations been successful and cost effective?

RESPONSE. Yes, the cross-servicing implementations at the National Finance Center have been successful, and they have saved the government, and ultimately the taxpayer, millions of dollars over the past 10 years. However, our cross-servicing success has been limited mainly to the payroll/personnel system and the Thrift Savings Plan support.

Mr. LIVINGSTON. I have been told that one of the reasons for maintaining the moratorium on cross servicing is that the NFC is approaching "physical capacity". Is this true? What does this mean?

RESPONSE. The National Finance Center is not at its maximum possible "physical capacity" and this was not one of the reasons for the moratorium. According to the background information I have been provided, in the late 1980's three factors caused the Department to rethink the cross-servicing activities and impose the moratorium.

First, USDA and non-USDA agencies alike were telling the Department that NFC was not meeting the challenge of technology changes and client expectations in the systems.

Second, NFC was not devoting sufficient effort or resources to dealing with internal Department financial information needs, such as those covered by the Chief Financial Officer's (CFO) Act of 1990.

Finally, the Department began to receive reports from outside auditors, consultants, and clients that our system controls were inadequate to protect against improper processing of data and against waste, fraud, and abuse.

In early FY 1990, the Department revised its policy on cross-servicing. NFC stopped accepting *new* cross-servicing clients and expanding services to existing non-USDA clients unless a prior commitment to a current client was in place. The change was made to allow NFC to correct internal control deficiencies, to update the systems and to address other problems that naturally follow a period of rapid growth. The policy change was made after review and approval by the Secretary of Agriculture and the OMB Deputy Director for Management.

Because of the decision to honor prior commitments, which NFC has almost completed, revenue and employment at NFC have continued to grow. The current estimate of total FY 1993 revenues is approximately $105 million, about 54 percent from cross-servicing. Employment is projected to increase to over 1,500 FTE's. Employment in FY 1994 is projected to remain the same or increase slightly because the number of Thrift Savings Plan (TSP) participants continues to grow.

In summary, this means that the physical capacity has not been a limiting factor on cross-servicing growth. The limiting factor has been the Department's ability to manage the growth in service and develop modern systems that keep up with the technology.

Mr. LIVINGSTON. Can physical capacity problems be addressed by exercising existing options to contracts with the Center's automated data processing contractors to upgrade the Center's systems?

RESPONSE. Yes, the upgrades planned over the next several years will take advantage of such contracts. ADP processing capability is not a limiting factor. Upgrades to the existing hardware and software are already planned for Fiscal Years 1994 and 1995 to keep up with information processing demands.

Mr. LIVINGSTON. Can physical capacity be increased by "splitting" existing data bases to handle additional workload? Hasn't this been done before?

RESPONSE. ADP capacity cannot be increased by splitting existing data bases, however performance as measured by online response time to the user can be improved. By splitting the data bases, you are actually taking up additional computer storage space, and increasing the system complexity.

The National Finance Center has split their payroll/personnel data base into three separate data bases—one for USDA, one for the U.S. Department of the Treasury, and one for all the other organizations using USDA's system. Having three moderate size data bases instead of a single large one significantly improved the response time.

Mr. LIVINGSTON. Aren't all the costs for expanding physical capacity, exercising options on existing contracts for data improvements, or salaries for more employees to handle increased workload recovered through the Center's fee for service contracts with its clients?

RESPONSE. Yes sir, that's correct. But, remember that the clients are Federal agencies supported by appropriations that do not always provide for expansion of activities.

Mr. LIVINGSTON. Provide the total savings in each fiscal year, since FY 1983, to USDA and other agencies from cross servicing.

RESPONSE. It is not possible to estimate accurately the cumulative savings across the years. For example, USDA does not have access to the estimates of savings from many of the clients that it services, and these savings constitute a large part of the total cross-servicing impact. They expect to obtain through use of our systems. The Department of Commerce has cited systems development savings of $10 million in the payroll/personnel area and $1 million in the personal property area. The Federal Deposit Insurance Corporation cites savings of $4 million in payroll/personnel systems development and the Department of the Treasury projects savings of $21–$52 million for payroll/personnel systems development and processing over the next 10 years.

USDA also helped over 35 other agencies avoid similar development expenses since 1983, but we have no documented information on their specific savings.

Mr. LIVINGSTON. Also provide the savings each fiscal year, since FY 1983, that USDA or other agencies have realized from cross servicing in terms of: fixed costs of operations, new development costs, and reduced unit Costs.

Secretary ESPY. As I said previously, all the data requested is not available.

Mr. LIVINGSTON. As I understand, in the FY 1993 budget submission to Congress USDA's cost estimate for the NFC's budgeted operating costs for FY 1994 assumed savings or income from the continuation of some cross servicing growth. Is this true? If so, what amount of the FY 1994 estimate (submitted with the FY 1993 budget last year) is attributives to cross serving growth?

RESPONSE. Yes, the savings or income from cross servicing growth included in the FY 1994 cost estimates represents growth in services provided to existing customers. No cross servicing to new organizations are included.

The FY 1994 increase in budget estimate attributable to cross servicing is estimated to be $6.9 million. This include increases for inflation, additional one-time projects and increases in volume for current cross-serviced clients.

Mr. LIVINGSTON. If cross servicing growth is not allowed in FY 1994, how will USDA make up any shortfalls in the NFC operating budget?

RESPONSE. As noted above cross-servicing growth relates to existing clients. We do not expect this growth to be restricted. For example, TSP will have an increase in the number of participants. The NFC would have to service those new participants because it services the entire TSP program. Therefore, we do not expect any budget shortfalls.

Mr. LIVINGSTON. Will these budget shortfalls be made up through reductions in force at the NFC?

RESPONSE. As I said in the answer to your previous question, we do not anticipate a budget shortfall. Therefore, we do not anticipate a reduction in force at the NFC.

Mr. LIVINGSTON. Provide for the record USDA's budget submission of last year (FY 93) for the NFC's operating budget, including the FY 1994 estimate that was made with the FY 1993 budget submission.

RESPONSE. I will provide for the record a copy of the National Finance Center's operating budget estimates for FY 1993. We did not include a budget estimate for FY 1994 with the FY 1993 budget submission for this account. Since this is a revolving fund we do not submit future year estimates.

[The information follows:]

*National Finance Center—Fiscal Year 1993 Funds and Staff Year Summary*

| Obj. Cl. Expense Category: | *Fiscal year 1993 budget* |
|---|---|
| 11.1 Salaries | 50,472 |
| 11.7 Overtime | 1,081 |
| 11.8 Cash Awards | 279 |
| 12.1 Benefits | 7,994 |
| Subtotal—Personnel Comp. | 59,826 |
| 13.0 Benefits/Fmr. Empl. | 108 |
| 21.0 Travel | 856 |
| 22.0 Transportation | 137 |
| 23.1 Building Rental | 2,569 |
| 23.2 Other Comm., Util., & Rent | 16,756 |

| | |
|---|---|
| 24.0 Printing & Repro. | 143 |
| 25.0 Other Services (less 2583) | 9,113 |
| 25.1 Management Fee | 2,198 |
| 26.0 Supplies & Materials | 3,370 |
| 31.0 Non—Cap. Equipment | 153 |
| 43.0 Interest | 0 |
| 51.0 Depreciation | 10,657 |
| Subtotal—Other Operating Costs | 46,060 |
| Total Operating Costs | 105,886 |
| 31.0 Capital Equipment Purchases | 7,730 |
| 32.0 Land and Structures | 0 |
| FTE Ceiling Staff Years (USDA) | 856.00 |
| FTE Ceiling Staff Years (C/S) | 557.00 |
| Total Ceiling Staff Years | 1,413.00 |
| FTE Non-Ceiling Staff Years (USDA) | 45.00 |
| FTE Non-Ceiling Staff Years (C/S) | 29.00 |
| Total Non-Ceiling Staff Years | 74.00 |

Mr. Livingston. The NFC developed/implemented the Thrift Savings Plan system for the Federal government. Was that development successful?

Response. Yes, it was fully successful.

Mr. Livingston. What savings have been documented thus far from the TSP development/implementation?

Response. There have been no formally documented savings concerning the TSP development/implementation. Because of the extremely short legislatively-required initial implementation schedule, no cost estimates were obtained from private vendors or other government organizations for comparison to the development and implementation costs at the NFC. However, Thrift Investment Board members have commented that the unit costs of operating the recordkeeping function at the NFC are lower than those in private industry. The Board also had a private consultant evaluate alternatives to continuing the function at the NFC. The consultant's November 1992 recommendation was that it was in the Board's best interest to retain the function at the NFC.

Mr. Livingston. Did the Department restrict the NFC from developing a program accounting system for the Food and Nutrition Service?

Response. No, the Department did not restrict the NFC from developing a program accounting system for FNS.

Mr. Livingston. Who implemented this system for FNS?

Response. The competitive contract was awarded to KPMG Peat Marwick.

Mr. Livingston. Did the NFC submit an informal bid for such a system that was approximately $4 million less than the final contract awarded?

Response. No, the NFC did not submit a formal or informal bid for such a system.

Mr. Livingston. Did the Department's Office of Finance and Management recently agree to a pilot program or process with the Forest Service to allow them to use a private corporation "general ledger" system to handle accounting?

Response. Yes, the Chief Financial Officer and the Forest Service are finalizing an agreement to develop, on a pilot basis, an "off the shelf" general ledger system that can be used both at the Forest Service and potentially at other USDA agencies.

Mr. Livingston. What company is providing this accounting service?

Response. No company has been selected at this time. The CFO, Office of Finance and Management and the Forest Service are in the process of developing a detailed action plan which will describe the steps and analysis necessary to acquire and install a general ledger software package.

Mr. Livingston. At what cost to USDA or the Forest Service?

Response. The cost analysis for USDA and the Forest Service has not been completed. We will complete cost analysis before procurement.

Mr. Livingston. Was a cost benefit analysis performed on the acquisition of this system versus other systems or doing it in house through the NFC? If so, provide the results for the record. If not, why not?

Response. No acquisition of a "general ledger" system for the Forest Service has been made. A cost-benefit analysis will be completed as part of the action plan.

Mr. Livingston. Is this system that was acquired by the Forest Service (or USDA) on the GSA approved listing of acceptable accounting systems?

Response. The Forest Service has not acquired a system. When a system is acquired, we will use GSA's mandatory financial management systems software multi-

ple award schedule program. We will conduct a competitive analysis of the six schedule contractors and issue an order to the contractor who best meets Department and Forest Service needs.

Mr. LIVINGSTON. Did USDA also agree to purchase software for this system too?

RESPONSE. It is too early in the planning process to determine what, if any, software will be required at the NFC. Under the responsibility of the CFO, we are also evaluating Department-wide system needs as part of the MAP process.

Mr. DURBIN. Thank you, Mr. Secretary, for your patience. And I think several things have been said here today to suggest that we want to keep in touch. We will not ask you to come here unless it is something where we both feel it is advantageous for us to get together, but we will be working close with your staff people and your new appointments. I hope you will feel free to contact this subcommittee as changes occur in your thinking and in your approach, because we want to be doing our best to try to complement and make sure we come up with a good work product for the taxpayers.

Secretary ESPY. Thank you, sir.

Mr. DURBIN. Thank you for joining us.

And thanks, Mr. Dewhurst.

We will reconvene at 1:00, at which time we will consider witnesses by the minority with reference to the economic stimulus package. Immediately thereafter we will go to markup on that stimulus package.

[The prepared statement of Secretary Mike Espy follows:]

**Statement by**
**Mike Espy**
**Secretary of Agriculture**
**Before the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies**
**February 24, 1993**

Mr. Chairman, distinguished Members of the Committee, it is indeed a privilege to appear before this Committee as the Secretary of Agriculture to discuss the programs and budget for the U.S. Department of Agriculture.

At the outset, Mr. Chairman, I would like to say that I look forward to working with my former colleagues who serve on this Committee. Because of my previous association with the Congress and my experience with rural development, food and farm programs, I intend to work hard at fostering a good working relationship between the Clinton Administration and this Committee. As you well know, the Department's programs are extremely important to rural residents, consumers, low-income persons and farmers throughout the nation. I am excited about heading a Department that can do so much good for so many people. In order to carry out my duties as Secretary of Agriculture, I will need the help of the dedicated employees at the Department and also the help of this Committee and the other congressional committees with jurisdiction over the Department's programs.

In his February 17 address to the joint session of the Congress, President Clinton provided a broad outline of his economic plan and the need for deficit reduction. The specifics of our FY 1994 budget proposals for individual programs will be submitted to the Congress in mid-March. So today, I am not in a position to discuss with you specific funding recommendations for all of the Department's programs. Rather, I would like to address the broad outlines of the President's economic program as it pertains to the Department of Agriculture.

Clinton Economic Plan

President Clinton's economic plan includes three basic components: 1) a short-term economic stimulus package that will affect FY 1993; 2) a longer term investment program that will affect FY 1994-1997; and 3) a serious, credible plan for deficit reduction. The deficit reduction part of the plan focuses on proposed discretionary program and entitlement savings for FY 1994 through FY 1997 as well as across-the-board reductions in overhead, personnel and administrative costs.

The Clinton economic plan moves us in the right direction to significantly reduce the deficit. It is expected that the plan will result in a $325 billion deficit reduction over four years -- with the deficit falling from 5.4 percent to 2.7 percent of the Gross Domestic Product over this period. The President's budget will be an honest budget. The budget will contain no gimmicks and no rosy scenarios. It will create jobs and lift incomes.

Clearly, deficit reduction leading to lower long-term interest rates will benefit all America, especially rural America which has lacked capital for economic growth. In 1992, interest payments on the debt were $200 billion, over three times the total budget for the Department of Agriculture. These interest costs are eating up a larger and larger share of the budget, taking funds away that could be used for productive investment. A sound deficit reduction plan must face up to the facts and provide the realistic funding levels for discretionary and entitlement programs that will bring the deficit down. It will also require us to look carefully at how we carry out and administer programs.

Short-Term Economic Stimulus

As discussed in previous testimony before this Committee, the short-term economic stimulus package as it affects the Department of Agriculture will include additional funding for:

- increasing the number of meat inspectors
- constructing water and waste disposal systems
- constructing single family houses and repairing low-income housing
- repairing and constructing watersheds
- enhancing natural resource protection, environmental and recreational infrastructure on the National Forests
- modernizing and repairing Federal agricultural research facilities
- expanding the WIC caseload, providing more commodities for the Emergency Food Assistance Program and funding meals for children added to the Head Start Program.

Longer-Term Investments

As part of the longer-term investment program of the President's plan, nearly $18 billion in budget authority is proposed for the Department of Agriculture for investments in both human and physical capital over the next four years.

The Department plays a vital role in the rural economy. The Secretary of Agriculture, under the law, is to provide leadership within the executive branch for rural development efforts. I INTEND TO DO THAT. I intend to be loud and persistent voice for rural America at the Cabinet table. Rural revitalization will be one of my top priorities. USDA programs can help lead in turning the country in a new direction.

As part of the rural development initiative in the Clinton Economic Plan, we are requesting significant increases in programs providing loans and grants for housing,

community facilities, and rural businesses with emphasis on small enterprises. Water and waste water loans will be increased to reflect the higher program levels achieved in FY 1993 through the stimulus package.

In the food safety area, there are a number of initiatives. First, an additional 40 meat and poultry inspectors will be hired in addition to the 160 hired in FY 1993 and a major research initiative to reduce the level of food-borne pathogens will be initiated. In the food assistance area, we are proposing a $9 billion increase over four years in the Food Stamp Program. Food Stamp increases will help offset the effects of the energy tax on low-income households. We are also proposing increased funding for WIC over four years so that all people eligible for the program are covered by the end of FY 1996. In order to pay for meals for pre-school children added to Head Start, we propose additional funding for the Child and Adult Care Food Program during FY 1994 - FY 1997 that would build on a similar increase for FY 1993.

We also will propose to increase competitive grants under the National Research Initiative by $480 million over four years to support high priority agricultural, food and environmental research.

Proposed Discretionary Reductions

In order to reduce the deficit, spending on discretionary programs will have to be reduced. The President's 1994 Budget will propose $2.5 billion in cumulative program reductions during FY 1994-1997 period in the Department's discretionary programs. A number of programs will be targeted for reductions.

A major proposal in the budget will be the creation of a single Farm Service Agency. The agency will be created from the current USDA agencies serving farmers at the county and regional level. These agencies include the Agricultural Stabilization and Conservation Service, the Soil Conservation Service, the Federal Crop Insurance

Corporation, and the Farmers Home Administration. The proposal would improve service for farmers while reducing staff needs and administrative overhead at the USDA National, State and local levels. As stated at my confirmation hearing, my priority is to streamline from top to bottom starting with the Washington bureaucracy first and then restructuring the field offices. In setting up the new agency we will be looking for ways to improve productivity, reduce regulatory burdens, reduce paperwork requirements, and make our operations more client friendly.

I am also proposing restructuring other functions in USDA to improve efficiency and reduce costs. I will be working with the Congress to carry through on these reorganization proposals.

In addition to these restructuring and streamlining efforts, the budget before this Committee will propose a number of other discretionary program changes including the following:

- REA loans would be made at Treasury rates while preserving loans for truly needy borrowers.

- Meat and poultry inspection fees would be charged to cover all overtime work by Federal inspectors beyond the first scheduled shift.

- Lower priority economic and agricultural research would be eliminated.

- Funding for foreign agriculture market development activities would be reduced by targeting areas most in need of Federal assistance. The Market Promotion Program would be maintained at the current level.

- FmHA direct farm credit would be reduced but subsidized guarantees would be increased.

Entitlement Programs

We can not reduce the deficit unless savings are achieved in the entitlement area of the budget. While health care costs are the most significant area in this regard, USDA programs also must make a contribution, keeping in mind that these programs made a significant contribution in the 1990 Budget Agreement. Our farmers have already given a lot and they should be proud that their contribution and what they do to produce food and fiber in this country has been recognized by this Administration.

The 1994 budget for USDA contains $4.7 billion in cumulative savings for FY 1994-1997 for entitlement programs. However, I want to assure the Committee that, aside from a modest targeting proposal, the major farm commodity programs will be left intact until the 1995 Farm Bill. We will take no unilateral action that will make our farmers weaker in international negotiations. I do not want to undermine our leverage in the negotiations with Draconian cuts in farm programs at this point in time. In 1995, we will take a fresh look at the situation. For the 1995 Farm Bill, and beginning with the 1996 crops, we are now intending to propose as part of the President's program increasing the noneligible payment acres, eliminating the 0/92 and 50/92 programs and increasing assessments on "nonprogram" Federally subsidized commodities. This will be done to help reduce the deficit in the out-years, and provide farmers with increased flexibility in planting decisions to respond to market conditions.

In an effort to better target income support payments to smaller, family sized farmers, these payments would be limited to those farmers making less than $100,000 in off-farm income starting with 1994 crops. Also, wool and mohair direct support payments would be limited to $50,000 per person. As was discussed in the campaign, honey program subsidies would be eliminated beginning in FY 1994. This is the only commodity program proposed for termination.

In addition to these program changes, the crop insurance program is also in need of reform. It is proposed that indemnities would be based on area (county) yield, rather than an individual farm experience. To the extent that commodity disaster payments are made in the future, the loss threshold would be increased from 35 to 40 percent for those producers with crop insurance and from 40 to 50 percent for those producers without crop insurance.

Concerning Food Stamp administrative expenses, beginning April 1, 1994, all state welfare administrative expenses would be limited to a 50 percent match with Federal funds. This includes AFDC and Medicaid as well as Food Stamps.

Across-the-Board Reductions

The President also announced governmentwide reductions in employment and pay costs as well as a 14 percent reduction in administrative costs over four years. These actions, of course, are designed to improve operations and efficiency of the Government's programs. All of the details of these actions are under development and will be submitted with the budget in March. When the actions are completed, the Department of Agriculture will be a leaner, more effective organization.

Recently there has been publicity about the effectiveness of the Department of Agriculture. The perception in some quarters is that USDA has become an outmoded and unresponsive bureaucracy, no longer client friendly or interested in reaching out beyond the traditional farmer client base to others who also have legitimate concerns. I promise to seriously and thoughtfully address the valid concerns and criticisms expressed and, where appropriate, make changes in USDA operations.

The Department of Agriculture has long been known as the "People's Department." In fact, I believe it was Abraham Lincoln who coined the phrase. Based on Congressional authorizing and appropriations legislation, the Department has been mandated to carry out a broad and diverse set of programs, with a broad constituency of people who are affected by its activity. As Secretary of Agriculture, I want you, Mr. Chairman, and each member of this Committee to know that I will dedicate myself and the Department to being a positive force in improving the economic health of America, particularly rural America. I intend to work hard to ensure that people living in rural America have access to the basic services which other areas of the country take for granted -- including them fully in President Clinton's strategy for economic revitalization. I will seek to reach out to all USDA constituents and become an honest broker for their responsible concerns inside the agency.

That concludes the comments I would like to make today. I look forward to working closely with the Committee concerning our mutual interest in the well-being of rural America. I would be pleased to answer any questions you may have.

TUESDAY, FEBRUARY 16, 1993.

# OFFICE OF INSPECTOR GENERAL

## WITNESSES

CHARLES R. GILLUM, ACTING INSPECTOR GENERAL, OFFICE OF THE INSPECTOR GENERAL

JAMES R. EBBITT, ASSISTANT INSPECTOR GENERAL FOR AUDIT, OFFICE OF THE INSPECTOR GENERAL

CRAIG L. BEAUCHAMP, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, OFFICE OF THE INSPECTOR GENERAL

DELMAS R. THORNSBURY, DIRECTOR, RESOURCES MANAGEMENT DIVISION, OFFICE OF THE INSPECTOR GENERAL

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

## OPENING REMARKS

Mr. DURBIN. Witnesses come and witnesses go, but Mr. Steve Dewhurst is always here, like Bartleby the Scrivener, never leaving his post.

I am happy to welcome the Office of the Inspector General, particularly Mr. Charles Gillum, the Acting Inspector General; the Assistant Inspector General for Audit, James Ebbitt; the Assistant Inspector General for Investigations, Craig Beauchamp; and Delmas Thornsbury, the Director of the Resources Management Division.

Thank you for joining us this afternoon.

Mr. GILLUM. Mr. Chairman, as you well know, we submitted a lengthy statement in response to your request for us to be here today. It is lengthy. I would suggest if it is all right with the committee, that we either go straight to questions or I summarize the statement, either way.

Mr. DURBIN. Let's go to questions. I have a lot of them, and I think we will end up covering most of them.

[CLERK'S NOTE.—Mr. Gillum's biography appears on page 173. The Acting Inspector General's prepared statement appears on pages 174 through 207. The explanatory notes appear on pages 208 through 226, which were received by the Committee on April 28, 1993.]

### BID RIGGING—SCHOOL LUNCH PROGRAM

Mr. DURBIN. Let's start with a topic that was in the news yesterday. CNN did a special report concerning bid-rigging in the school lunch program. I missed it when it was first aired, but I saw it today. They pointed to the fact that, in some instances, for over 30 years there has been evidence of bid-rigging in the program. Recent cases involve some major dairy and milk producers in the country.

There was one reference to USDA and whether or not the Department was on top of this problem, alluding to the fact that they weren't monitoring the industry as closely as they should.

Would you tell me what the involvement of your office is in this investigation?

Mr. GILLUM. Well, it is a timely question, and unfortunately I didn't see the CNN piece. But it is an area in which we have done some work, and we have had a number of notable successes, particularly in the last year or two.

To say that it is a problem that we are always on top of, or that we have, ferreted out every single instance of it, I wouldn't want to go that far. We are always pursuing these things aggressively as they come to our attention.

In the last year, we have had a couple of notable successes, most recently in the press involving Borden Company, a major settlement in which we were major players.

Mr. DURBIN. May I ask you a question about that? The CNN story suggested that this investigation was conducted in the State of Florida. I know you haven't had a chance to see it, but I will try to recount it accurately.

They also indicated that the investigation was conducted, for the most part, by the Department of Justice, as I am sure it would be with something of this magnitude. As a result of the investigation, there have been 231 convictions and $100 million in fines and settlements so far.

I spoke to the producer of that show this morning, who is in Atlanta. He said it was his impression that for whatever reason, the USDA and its internal operation would not have come up with this, whether it is by virtue of lack of staff personnel or lack of clear authority to look into something as complicated as bid-rigging.

What is your comment on that?

BID-RIGGING JURISDICTION

Mr. GILLUM. Well, I think there is two things that come into play there. Number one, it would be the Antitrust Division of Main Justice's jurisdiction. They have the area of expertise, and whenever these things come to our attention, we immediately go to that office and follow their advice. These cases are always complex, lengthy, and we seldom ever get through them within a couple of years. They just take a long time and they are very staff intensive.

I don't know of any processes involving any program where there are controls that essentially identify a particular crime. Antitrust violations are crimes that usually come to our attention like others where somebody gets disgruntled or offended, somebody gets the shaft, and they come forward.

WHISTLEBLOWER REFERRALS

Mr. DURBIN. Whistleblowers?

Mr. GILLUM. Yes, and we try to follow up.

Mr. DURBIN. In terms of the responsibility of your agency, would you be asking questions of any program that would lead you to con-

clusions that surfaced in this situation, where there was suspicion of bid-rigging in 22 different States over a period of three decades?

Mr. GILLUM. We would, but—it would have to go to that—we would have to be looking at that particular program.

On the audit side, the audit standards are clear that the auditors look for fraud and waste and they are to report it. And they have their auditing standards which build in steps to look for that.

Mr. DURBIN. Let me address a particular aspect of your statement. I think you have an excellent statement here and I would like to get into the particulars, but let me go to one of the conclusions.

I was troubled to read in the closing pages of how few actual complaints you were able to investigate because of your own limited personnel. You talk about whistleblower referrals and your hotline. Tell us a little bit about calls you receive that can't be answered, can't be responded to.

Mr. GILLUM. Part of the problem is that we don't always directly handle them ourselves. We screen them, we apply certain criteria to see what we might get, whether there is a crime, whether a high level official is involved, what the dollar recovery is, and we balance those against our other workload criteria. If they don't meet those criteria, we farm them out to other agencies within the Department and ask them to respond to us. We try to put a quality control check on these to assure that we get an honest answer, and we have to operate on the presumption of regularity.

### WHISTLEBLOWER REFERRAL WORKLOAD

Mr. DURBIN. You make a statement, in the second to last paragraph, that "Each year we are unable to investigate about a thousand allegations of wrongdoing or employee misconduct which agency managers refer to OIG for investigation."

So, I take it from that statement, you are not farming those complaints out. They have referred allegations to you and you cannot meet that need which would require investigating about a thousand cases.

Mr. GILLUM. That is true, and we refer them back to them and, when they have investigative or compliance review staff, we ask them to, if they find something, tell us and we pick it up and follow it. Otherwise, they resolve it themselves. And that is in addition to the other 4,000 complaints that come through the hotline.

Mr. DURBIN. You receive four thousand complaints annually, through the hotline?

Mr. GILLUM. Yes, sir.

Mr. DURBIN. I don't know how other agencies, if they have similar hotlines, handle the volume, but I am amazed with the numbers we are dealing with here. Do you have any suggestions as to how this might be handled differently?

Mr. GILLUM. Considering OIG's present staff resources, we are doing everything possible to handle hotline complaints in an expedient manner and are constantly working on new ways to improve our complaint handling process. Since 1985, OIG and the Office of Personnel, working together, have trained administrative officers, personnel specialists, and employee relations specialists from other

USDA agencies in conducting noncriminal personnel misconduct investigations. In addition to OIG, USDA has 473 trained personnel misconduct investigators to handle the noncriminal and less serious hotline complaints. We intend to continue this program. We are also increasing our monitoring and coordinating efforts with agency compliance and investigative units which conduct inquiries into the complaints referred to the agencies.

### FOOD STAMP INVESTIGATIONS

Mr. DURBIN. You look at a lot of programs but you look at one program more than any other, and that is the Food Stamp program. I don't know a single USDA program that upsets people in my district more than the Food Stamp program. People in my district who can't remember their social security number can tell you exactly what was in a food stamp recipients grocery cart two years ago. They will say to me, "She was buying a steak and I am buying hamburger, what is going on?" They remember these things.

You have some stories here that are nothing short of amazing as to what you have found by way of fraud and abuse in this program.

I would appreciate it if you would tell me, is fraud and abuse in this program getting any better? Are we getting more vigilant in watching this program, or is the level of fraud increasing dramatically?

### FSP—VOLUME INCREASE

Mr. GILLUM. I am not sure that the level per se has increased. Certainly the volume of the program itself has increased. And as the volume of the program has increased, which is run through a lot of local and State agencies, their abilities to monitor those programs, and certainly the abilities of the Food and Nutrition Service staff to deal with that larger volume of activity, increases the level of vulnerability on the program.

In our own case, yes, I think we do get better with experience in dealing with some of these investigations. But it is probably a combination of all those things—it is certainly not just a single thing.

### FSP—INCREASED WORKLOAD

Mr. DURBIN. In your statement you say that in your annual plan for fiscal year 1993 you anticipated spending about 35 percent of your investigative resources on the Food Stamp program. In the first quarter of the year you have devoted almost 50 percent of your total investigative resources to food stamp fraud investigations. To what do you attribute this increase?

Mr. GILLUM. During the period when the OIG 1993 annual plan was prepared, we placed major emphasis on continuing our investigations of "high redeemer/low volume" retailers. These are FNS-authorized firms whose food stamp redemptions are consistently larger than the gross food sales they have reported to FNS as part of the retailer authorization process.

We anticipated our resources allocated to this special initiative would continue to be quite high during the first quarter of FY 1993 and gradually decrease during the next three quarters. In addition to those "high redeemer/low volume" cases, we have experienced

more requests and pressures than we had earlier anticipated to increase our efforts to address the continuing problem of street trafficking of food stamps.

Mr. DURBIN. Do you expect this level to continue throughout the remainder of the year?

Mr. GILLUM. Our investigative resources devoted to food stamp fraud investigations have increased during the first quarter of FY 1993; however, we believe these resources will decrease somewhat with the completion of a number of our "high redeemer/low volume" investigations. By the end of FY 1993, our cumulative resource allocation to food stamp fraud investigations should be closer to 40 percent.

FOOD STAMP INVESTIGATIVE REPORTS

Mr. DURBIN. Please provide a table of food stamp investigative reports for fiscal year 1992 similar to the one provided last year.

Mr. GILLUM. I will provide the information for the record.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE—OFFICE OF INSPECTOR GENERAL FOOD STAMP PROGRAM REFERRALS—FISCAL YEAR 1992

| State | Cases issued | Referred to DOJ | Accepted by DOJ |
|---|---|---|---|
| Alabama | 5 | 4 | 4 |
| Arizona | 18 | 3 | 1 |
| Arkansas | 1 | 1 | 0 |
| California | 23 | 4 | 1 |
| Colorado | 11 | 8 | 5 |
| Connecticut | 11 | 7 | 6 |
| Delaware | 2 | 1 | 1 |
| District of Columbia | 10 | 6 | 2 |
| Florida | 34 | 14 | 1 |
| Georgia | 19 | 14 | 6 |
| Hawaii | 1 | 1 | 1 |
| Illinois | 44 | 12 | 6 |
| Indiana | 13 | 5 | 1 |
| Iowa | 10 | 5 | 3 |
| Kansas | 6 | 1 | 1 |
| Kentucky | 1 | 1 | 1 |
| Louisiana | 43 | 35 | 0 |
| Maine | 3 | 2 | 2 |
| Maryland | 19 | 4 | 3 |
| Massachusetts | 14 | 4 | 1 |
| Michigan | 56 | 16 | 5 |
| Minnesota | 21 | 15 | 0 |
| Mississippi | 1 | 1 | 1 |
| Missouri | 41 | 28 | 16 |
| Nebraska | 3 | 2 | 1 |
| Nevada | 17 | 0 | 0 |
| New Hampshire | 1 | 0 | 0 |
| New Jersey | 63 | 32 | 8 |
| New Mexico | 9 | 5 | 0 |
| New York | 69 | 33 | 11 |
| North Carolina | 21 | 20 | 6 |
| North Dakota | 1 | 0 | 0 |
| Ohio | 78 | 4 | 1 |
| Oklahoma | 1 | 1 | 0 |
| Oregon | 2 | 2 | 1 |
| Pennsylvania | 44 | 23 | 19 |

U.S. DEPARTMENT OF AGRICULTURE—OFFICE OF INSPECTOR GENERAL FOOD STAMP PROGRAM REFERRALS—FISCAL YEAR 1992—Continued

| State | Cases issued | Referred to DOJ | Accepted by DOJ |
|---|---|---|---|
| Rhode Island | 2 | 1 | 0 |
| South Carolina | 3 | 1 | 0 |
| South Dakota | 4 | 2 | 2 |
| Texas | 100 | 49 | 25 |
| Utah | 10 | 8 | 8 |
| Virgin Islands | 16 | 13 | 4 |
| Virginia | 21 | 8 | 4 |
| Washington | 4 | 2 | 1 |
| West Virginia | 15 | 9 | 5 |
| Wisconsin | 9 | 2 | 1 |
| Wyoming | 1 | 1 | 1 |
| Total | 901 | 410 | 166 |

FOOD STAMP PROGRAM

Mr. DURBIN. Also, would you please update the table that appears on page 253 of last year's hearing record which shows how much of your budget is spent on monitoring the Food Stamp program to reflect fiscal year 1991 actuals and fiscal year 1993 estimates.

Mr. GILLUM. I will provide the information for the record.

[The information follows:]

| *Fiscal Year* | *Amount* |
|---|---|
| 1990 | $8,424,000 |
| 1991 | 11,225,000 |
| 1992 | 12,839,000 |
| 1993* | 13,500,000 |

* Estimated

RECOMMENDATIONS TO UNCOVER FRAUD

Mr. DURBIN. Have you made any recommendations to the Administrators of these programs that you think might lessen the incidence of fraud?

Mr. GILLUM. We think there are a number of things out there, and we hope that as the new Administration gets itself in gear, that we can revisit some of them.

The top of my list, of course, deals with improving information systems that the Food and Nutrition Service has at its availability, so that it has accurate and timely data, data which can be analyzed to better help the program. And then simply through that process, to provide better monitoring.

It is much better to close the barn door before the horse gets out than it is for to us come in later and make these cases on the back end.

This Committee saw fit, the year before last, I think it was, to give FNS an extra $1 million, which they put to improving the retailer authorization process, and they are in the process of doing that. And that will be helpful because that will be better data than is available.

We testified last year before a number of Committees of Congress on the EBT program, and we are strong believers that EBT, by simply getting the paper off the street, will help us help combat fraud in that program.

The other thing is we have to have further cooperation with other agencies, that has to be a part of this whole process.

Mr. DURBIN. Yet you tell us that even with the EBT program you have found instances of fraud?

Mr. GILLUM. We did, but the plus side of that is we used the system itself to combat the fraud in the program. It produced the data which led us to the bad guys and produced the data for us to get to the fraud, but it has some weaknesses. The breakdown there was that—if you take some strong arm people and they get the people to give them their cards—they can find a vendor who will work with them in the process, then they can scam that system.

We are not so naive to think they won't try to think of new ways, if they have electronic cards. But the electronic cards leave a trail and an ability to analyze this data that makes it a lot better than chasing all this data out there.

### FSP PENALTIES

Mr. DURBIN. In a case of fraud using EBT in Reading, Pennsylvania one hundred and thirty-two food stamp participants had pled guilty and were suspended from participating in the program for two years. Do you think the penalties are tough enough when dealing with a fraud case?

Mr. GILLUM. We think suspension is a great tool, not only in the Food Stamp program but in a lot of other programs, because in my experience in GSA and SBA, it is proven that a lot of companies and a lot of people who do business and are beneficiaries of the Department's program, would almost rather go to jail than be debarred, because the debarment process has effect on them.

Each of these cases has to be evaluated on its own. Is two years in one case good? I don't know. Part of the tradeoff normally is that there is a family involved, and when you debar the main recipient, it penalizes the children or the people you really would like most to help in that program, and that is the tough thing that program managers have to deal with.

### EBT—DISBARMENT

Mr. DURBIN. In this same case, two store owners were also found guilty. Were they barred from the program for any period of time?

Mr. GILLUM. The store has been out of business since April 1992 when charges were filed against the owners and the EBT equipment was removed by the State agency. FNS has advised that in the next 2 weeks it will initiate action to permanently disqualify the store from participating in the FSP. Based upon the owners' convictions for food stamp fraud and the disqualification of their store, FNS has the authority to reject any future applications submitted by the owners seeking authorization to redeem food stamps.

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FSP—QUALITY CONTROL

Mr. DURBIN. On page nine of your statement you say that although food stamp error rates have declined from 9.54 percent in fiscal year 1983 to 6.96 percent in fiscal year 1991, this still resulted in estimated over-payments of $1.2 billion in fiscal year 1991. Have you made recommendations to the Food and Nutrition Service on ways to improve the quality control process to further reduce error rates? If so, what were they?

Mr. GILLUM. States are required to evaluate quality control, QC, results for trends and develop corrective action plans, CAP, to reduce the error rate. A 1992 audit in Georgia found that the CAP did not target households that QC reviews showed had a higher potential for error. This State had the second highest error rate in the Nation in FY 1990, and income misreporting caused about $28.6 million in overissuances. We made recommendations to FNS to provide additional assistance to the State agency to develop effective error reduction initiatives and to ensure implementation to develop effective error reduction initiatives and to ensure implementation of the initiatives by county offices. We specifically recommended ways to target error-prone cases. For example, our review of the QC results disclosed that county office personnel were not timely processing income data for households required to report on a monthly basis. A household that does not have a stable income has benefits determined by the Monthly Reporting Retrospective Budgeting Method. We noted that 78 percent of QC cases with errors were households required to report monthly. We recommended that first-line supervisors be required to specifically target these monthly cases as part of their required quality assessments of eligibility workers' performance. We also recommended that first-line supervisors identify their eligibility workers with high error rates to ensure that these workers receive sufficient oversight and training.

FNS is working with the State to implement our recommendations.

In FY 1993, we plan to continue audit work in this area for compliance with program requirements to develop and monitor corrective action plans to reduce issuance error rates.

FSP FRAUD EXAMPLE

Mr. DURBIN. Let me ask one final question at this time. I have some additional questions I would like to ask, but first I'll give my colleagues some time. I will come back to my additional questions, following theirs.

Let's assume that someone told me, at this moment, of a liquor store with a crap game in the back of it where they encourage customers to play using their food stamps. What should I do with that information?

Mr. GILLUM. Report it to us.

Mr. DURBIN. Thank you.

Mr. SKEEN?

Mr. SKEEN. Let's stay on this food stamp fraud. Recently I read the story about a wholesale meat firm in New York that had been laundering something like $82 million of food stamps. It seems to

be getting worse instead of better. Also, you spent 40 percent of your investigative time on food stamp fraud.

Mr. GILLUM. Yes, sir.

### HOT LINE PROCESS

Mr. SKEEN. That doesn't leave you a great deal of time. You mentioned the thousand calls that you had, or 4,000 calls that you get. Do you scan those for prioritization?

Mr. GILLUM. Oh, clearly.

Mr. SKEEN. Some of them could be just rumors.

Mr. GILLUM. And many of them are, and I wanted to point that out to the Chairman. While we get 4,000, they run the whole gamut, to some being nothing but rumor or malicious reporting, or what have you, to some really good ones.

Mr. SKEEN. So you look at them all and you make some judgment?

Mr. GILLUM. Absolutely. We have a senior investigator review each one of those hot line complaints to make sure we make a proper judgment in those cases.

### AGENT ASSAULTS

Mr. SKEEN. What do you do when the agents get assaulted?

Mr. GILLUM. We train them real good. We have a class in New Mexico, in defensive driving techniques, because one of the other things that happens is when they chase bad guys, they bang up those cars.

Mr. SKEEN. If anybody wants a thrill, go through that course.

Mr. GILLUM. I understand it is an excellent course. I want to go down and see it myself.

### ELECTRONIC BENEFIT TRANSFER (EBT)

Mr. SKEEN. They have given us a tour once or twice.

Let me go back to the EBT, this electronic benefit transfer system. You say that it is helpful. But, I understand you have had an increasing number of frauds involving the EBT system, have you not?

Mr. GILLUM. No, I wouldn't characterize them that way. There aren't enough of them out there or pilot projects out there to draw a conclusion that way. But in this particular case, when we got onto it, our agents were able to go in and by using the card data for this one vendor, we were able to just lay the scheme out practically and to pursue it. The system itself became a great tool in the investigation process.

### EBT—ERROR RATE

Mr. SKEEN. Let's also talk about the issue of reducing your error rate. In one case the error rate was around 10.1 percent, and nationwide it is 7.35. The error rate in this particular State in which you were doing the work on the error reduction, was 10.1, and after a year's work it went up to 13.2. Is it a bad program, or just tough to reduce the errors?

Mr. GILLUM. Well, let me borrow on my number one audit guy here.

Mr. SKEEN. Please, I would appreciate it. It seems amazing to me that you've gone through a program to reduce the error rate and it goes up. Something is wrong.

EBT—PROGRESS

Mr. EBBITT. Also in reference to a question the Chairman asked earlier, the whole concept of trying to correct the problem, actually some progress has been made, a lot of progress has been made. Going back to 1992, the error rate nationwide was 9.54 percent, and now that error rate is down below 7, as I recall it is around 6.9 percent.

Mr. SKEEN. So in the overall sense you have made some progress?

Mr. EBBITT. Yes, and a lot of that is because States are concentrating on the identification of what is causing the problem. When they do the quality control reviews and identify problems such as, did they report more children in the household than they really had, do they take that data and devise programs to develop a profile to concentrate on those program areas. In the State that is mentioned in the testimony, they didn't do that, and that is the reason the error rate actually increased. They didn't use the problems that had been identified to correct the future caseload.

Mr. SKEEN. Have you experienced a general lack of cooperation or is the cooperation basically pretty good between the agencies and the States involved?

Mr. EBBITT. I characterize it as very good. I think States are definitely trying to make the program better. I think, that the overall statistics show that, the error rate has come down. They are also getting more effective use of computer matching to help them identify unreported income and things of that nature.

So I think there is definitely the commitment there to make improvements. But they really have to concentrate on after you have identified what has caused the problems, then develop your corrective action plan to concentrate on those areas.

WITHHOLDING FUNDS

Mr. SKEEN. Does the suggestion of withholding funds have much effect on States, or would that be counterproductive?

Mr. EBBITT. FNS has made some efforts in the past to impose sanctions and there has been a lot of debate as to whether or not that helps. I think there are some States right now that FNS is considering imposing some sanctions against.

If you take money away from States, the States of course will tell you that is going to hurt the program. FNS, in imposing the sanction, would hope that somehow or other they are going to get the State's attention to make the program better. I think it is a tough call.

Mr. SKEEN. It hurts the recipients more than it hurts the States.

Mr. EBBITT. The money they are taking away is going to be administrative cost money. They won't take away the food stamp benefit itself. But you are right, it could have an impact on how many caseworkers a State might be able to hire which could impact on client services overall.

## FMHA DEBT RESTRUCTURING PROGRAM

Mr. SKEEN. Again this year your testimony reveals a number of problems associated with FmHA's handling of the Debt Restructuring Program. You mentioned that you conducted an audit of 10 borrowers at the request of FmHA and that 9 out of the 10 reviews revealed that the net recovery buyouts or the subsequent loans, or both, were based on inaccurate information.

You state that the IG has recommended that FmHA recover the improper benefits identified by the audits and reevaluate cases and work to recover funds where appropriate. Concerning the rural housing program, you also noted that millions could be saved if computational errors were eliminated and borrower application data was more fully verified.

Could you provide for the committee, to the best of your estimation, the major rationale for FmHA's problems concerning its administration of these programs?

Mr. GILLUM. The major cause for FmHA's problems concerning improper debt buyouts and subsequent loans for returning farmer program borrowers was that information on the plans used for buyouts and data used to obtain the subsequent loan were accepted by FmHA without adequate review and verification.

Excessive profits and questionable costs charged by rural rental housing borrowers resulted due to inadequate internal controls. Some of the internal controls which had not been properly implemented included reviewing documentation of general contractor accounting systems, estimated cost breakdowns prior to construction, and significant variances between estimated and actual costs. In addition, audits performed by independent public accounting firms did not provide FmHA with the required level of assurance that costs presented by borrowers were the actual costs of construction.

Mr. SKEEN. How will you work with FmHA to see that your recommendations are followed-up and acted upon?

Mr. GILLUM. OIG works with the agencies in achieving management decision on our recommendations in their development of time-phased corrective action plans. The Department then tracks, and reports to Congress, the status of implementation of these plans. Once final action has occurred, OIG evaluates the need to independently verify the adequacy of the program changes in a followup audit.

Mr. SKEEN. In your opinion, does FmHA have adequate resources and staff training to alleviate these concerns?

Mr. GILLUM. We are not aware of problems with FmHA's staffing. We have reported that additional training was needed and this has been accomplished by FmHA.

Mr. SKEEN. Based on the data you obtained from your investigations, what is your estimate of the magnitude of this problem nationwide?

Mr. GILLUM. Neither of the audits discussed were performed using statistical sampling, so we are unable to provide any projections regarding the magnitude of the problems nationwide. As noted, however, the concerns we reported dealt with the adequacy of national policies and procedures which would impact on all program activity.

CONSUMER PROTECTION

Mr. SKEEN. Your statement mentions that investigating consumer protection issues is part of your mission. Would you expound on those consumer protection activities which you have placed as a high priority?

Mr. GILLUM. Consumer Protection activities within the Department that OIG audits include those activities designed to assure that the food the consumer eats is safe and properly labeled and graded and that the Nation's plant and animal resources are safeguarded. These activities are performed by the Food Safety and Inspection Service, the Animal and Plant Health Inspection Service, the Agricultural Marketing Service, the Federal Grain Inspection Service, and the Packers and Stockyards Administration.

In addition to the work cited in my statement, OIG has performed many audits in this area in recent years. During the past year, for example, we rapidly initiated a review of issues raised by the television program "Prime Time Live" regarding the inspection process of beef slaughter plants operating under the Streamlined Inspection System. Our audit did not find any significant problems with the inspection process in the plants we visited. We also investigated reports that some beef produced in two plants contained plastic shavings. We found that FSIS officials had inadvertently allowed this meat to enter the commercial food channel. Our investigation did not disclose any evidence that company officials improperly influenced FSIS in its decision to release the beef. We made recommendations to FSIS to improve some of its procedures related to sampling and product retention. Agency officials agreed to take corrective action.

We also evaluated APHIS' National Poultry Improvement Program. The current focus of this program is the detection and elimination of Salmonella. Our audit found that APHIS did not provide any oversight as we noted that one of three States we visited was not inspecting hatcheries or taking blood tests as required. APHIS agreed to provide oversight. In addition, we evaluated USDA's implementation of the Animal Welfare Act, an Act intended to ensure the humane treatment of animals used for research, exhibition, or sold as pets. We found that APHIS' inspections were not always timely, and they should withhold license renewals when dealers do not correct abuses.

We have placed high priority on investigating allegations associated with consumer protection programs regulated by the Agricultural Marketing Service, the Animal and Plant Health Inspection Service, the Food Safety and Inspection Service, and the Federal Grain Inspection Service.

In AMS, our emphasis is on investigating allegations of contaminated, unsanitary, or illegal egg and meat products; forgery or alteration of official grading certificates of various commodities; and fruit and vegetable marketing order violations where the allegations are particularly egregious.

In APHIS, investigative efforts in the area of animal and plant health protection emphasize allegations of smuggling of potentially diseased animals and plants which include the illegal importation of exotic birds and rare and endangered species. We also emphasize

violations of animal quarantine regulations, especially when APHIS employees or employees licensed by APHIS are involved in the crimes.

In FGIS, we emphasize investigations of alleged fraud associated with inspection and weighing activities at export elevators in order to protect the integrity of foreign trade. We also emphasize violations at interior elevators when FGIS-licensed personnel are involved.

In FSIS, of particular concern to OIG are allegations associated with adulterated or substandard products placed in the human food chain, mislabeling of products, and product tampering. Investigations of these types of cases, which represents a threat to the health and safety of the public, remain OIG's highest priority, but of almost equal priority are allegations of corruption or attempted corruption of FSIS inspectors.

Our future priorities in the consumer protection area will continue to stress food safety and the prevention of economic fraud.

Mr. Skeen. What percentage of your resources is devoted to consumer protection issues?

Mr. Gillum. During FY 1992, OIG devoted 5.5 percent of its audit resources and 12 percent of its investigative resources to work in the consumer protection area.

### DEBT MANAGEMENT

Mr. Skeen. With all of the economic problems in our country today, I'm not surprised to see your agency identify problems with debt management on the part of farmers and consumers.

I noted in your testimony on this problem, that in your opinion, the ASCS, CCC, and the FNS (Food and Nutrition Service) should more aggressively pursue debt collection and fully implement various OMB and Treasury debt management collection initiatives.

One major recommendation is that these agencies should report debts to credit bureaus and collection agencies. Is this the major key to solving the problems with these agencies?

Mr. Gillum. Debt collection techniques are one of several aspects of managing Federal credit and debt programs. The Debt Collection Act of 1982 made many private sector collection techniques available to Federal agencies. These techniques, which include use of credit bureau reporting and collection agencies, are intended to increase the efficiency of Governmentwide efforts to collect debts. While USDA agencies need to fully implement these debt collection techniques, such techniques are just one of several parts of a sound credit management program.

Mr. Skeen. You stated that these agencies could use private collection agencies to recoup bad debts. Is this cost effective?

Mr. Gillum. OMB Circular A–129 allows the use of private collection agencies to recoup delinquent accounts. The costs of collection agency fees are added to the delinquent principal and interest amount. Therefore, private collection agencies are an effective means of providing additional resources for improving debt collection activities at no additional cost to the agency.

Mr. SKEEN. You noted that the Food and Nutrition Service had understated some of its debts. Would you clarify your explanation of this problem and your resulting recommendations to the agency?

Mr. GILLUM. Our audit titled "Food and Nutrition Service Debt Management Initiatives Audit Report No. 27070-1-AT" included a review of FNS management of receivables due from non-Federal debtors. Based on our review, we determined that the value of FNS accounts receivable was understated for several reasons. FNS did not include $322 million in quality control sanctions assessed on State agencies for incorrect food stamp issuances. FNS stated that the claims were not reported because they were subject to change prior to billing. The value of accounts receivable was further understated because the FNS accounting system was unable to compute interest on delinquent accounts receivable. The value of the accrued interest was $51.6 million. Finally, the inability of State agencies to process food stamp household claims in a timely manner also understates the value of accounts receivable. Several OIG audits have disclosed that State agencies have large backlogs of potential claims. While these potential claims are not accounts receivable until they have been established by the State agency, the delay in claim processing also delays the recognition of the claim as an accounts receivable due the Federal Government. In our ongoing audit of the FNS FY 1992 financial statements, we are performing followup reviews in this area to determine if the problem still exists.

To correct these deficiencies, we recommended that FNS establish policies for recognizing and reporting quality control sanctions as receivables at the time the sanction amount is computed, ensure prompt implementation of a system to accrue interest on receivables and include accrued interest amount on its reports to Treasury, and require FNS regional offices to identify State agencies with a backlog of claims that have not been processed and to develop and implement specific plans to timely establish claims.

### INCREASED PERSONNEL AND REORGANIZATION

Mr. SKEEN. In a number of instances you have recommended that particular agencies should place a higher priority on oversight and enforcement responsibilities to help prevent fraud. For example, you mention that FNS should visit its retailers more often to take a closer look at their operations before approving them to accept food stamps.

Too many times we put additional responsibilities on these agencies and not enough funding. In your opinion will these agencies be able to redirect their priorities without hiring additional people, or must we increase the funding levels? Do you take into consideration whether or not an agency can afford some of your recommendations within their existing allocations?

Mr. GILLUM. Many of these programs have large cash outlays, and the potential for fraud and large dollar losses exists. With a steady increase in program recipients, an increase in the funding level may be necessary for the agency to hire additional personnel to adequately administer its programs and provide the necessary oversight to ensure that its programs are operated in the most effi-

cient and effective manner possible, however, we do not routinely look at this issue during our audits. Any definitive answers with respect to staffing needs could, of course, best be addressed by agency management.

Mr. SKEEN. With regard to USDA departmental reorganization, how much impact will the closure of field offices and cuts within these agencies have on some of your priorities to cut fraud and abuse?

Mr. GILLUM. We do not foresee an impact on our priorities if the Department reorganizes. In fact, many potential benefits may accrue to the Department in terms of strengthened internal controls which would lessen the programs' overall vulnerability to fraud and abuse. Office consolidations help reduce fraud and abuse through better communication between agencies. For example, both SCS and ASCS have responsibility for conservation and wetland requirements imposed by Congress but, under the current field structure, are not always able to work together effectively. This has resulted in producers not fully complying with conservation requirements and still receiving program benefits.

What would be of concern to us are reductions to such levels that the agencies cannot perform required collateral duties (i.e., field verifications of farms, stores, etc.). Naturally, this would affect our priorities. There needs to be a delicate balance between office closures, consolidations, cross training of employees, and reductions in the overall staffing.

Mr. SKEEN. I appreciate the response.

Thank you, Mr. Chairman.

Mr. DURBIN. Ms. Kaptur?

### FOOD STAMP ABUSE

Ms. KAPTUR. Thank you. I have a lot of questions about the food stamp program. I don't really think, as I have seen it, that it necessarily results in good nutrition for families, which I should think would be one of the Department's major goals. I don't think it benefits the farmer directly. A lot of the abuse you have identified is related to the retailer.

I would like to see the food stamp program linked to other programs that build healthy families, such as the WIC program, the Head Start program, and others. I don't see food stamps as a program that helps those families that are able to become self-sufficient.

I think there are large numbers of families that are served there. It is not really the Department of Agriculture's fault. It is also related to the way we operate our health and human service programs. But it is a part of, I think, the way we used to do things years ago, that need to be re-thought.

And one of the questions I have of you is, I know our county prosecutor is in the paper every third month with a long list of welfare abusers, food stamp abusers in particular. I am curious if, from all of the information that you have seen, could you identify patterns of abuse for me, either from your own enforcement or from local law enforcement officials?

I am curious as to where the weaknesses in this program really are. If you were trying to redesign something, first you have to decide what you really want to achieve by it, but also where did the old program go wrong? What are the patterns of abuse that you could identify for me that might help me understand how I would want to change the program, and then, if you have seen it well-managed in other places, what makes the difference in those locations?

Mr. GILLUM. Let me first touch on a couple of things, then I will invite my two colleagues to jump in here. In terms of pattern of abuses, whenever you are handing out a piece of paper which, in effect, can become a second currency, you are inviting other choices, whether to pay the rent, pay a medical bill, or to do worse. You are inviting them into this second market to sell at a discount. The most gross of which is when these traffickers are standing right outside the redemption centers offering money to recipients as they walk out the door and trying to encourage them into a pattern of irregularity.

FSP—ALTERNATIVE PROGRAMS

Ms. KAPTUR. Can I just interrupt you? In a program like the low income energy and heating assistance program that we have, is that not a form of currency?

Are there any others that do create a form of currency?

Mr. GILLUM. The food stamp program in Puerto Rico does, and I think there is a project in San Diego which is offering a similar kind of a process. There are some experiments going with other alternatives to using the actual food stamp process.

Mr. EBBITT. I was going to say, with HHS you have the AFDC program, which is Federal dollars, Aid to Families with Dependent Children, Federal and State dollars involved in a straightforward cash grant.

Ms. KAPTUR. And you are saying there is less abuse in that program? You are saying that is a similar type program?

Well, boy, talk about an unpopular program that the public doesn't feel is well-managed, where large numbers of recipients remain on the rolls. With welfare reform, we have people getting training, daycare, trying to help develop people, et cetera. But let's get back to the patterns of abuse. You are saying the basic problem is that people use it as——

FSP—PATTERNS OF ABUSE

Mr. GILLUM. It is a second currency and it opens itself to that. One of the ways is, of course, to go to cash, like you have suggested. The other is to go back to your basic policy or political questions. Is this the kind of program that you really want, and is this the way you want to deliver it.

What we try to do in our business is use the laws that are written, the regulations that are written, and to audit and investigate against them. We don't have an answer amongst the three of us as to whether or not there ought to be a food stamp program, per se, or whether it is meeting its legislative intent.

Ms. KAPTUR. When I talked about patterns of abuse, you are talking about individuals, people getting individuals to trade those stamps for money. Is that the greatest incidence of fraud and abuse, or is it retailers doing something with—actual stores that are somehow involved? Is that an equally great problem?

Mr. GILLUM. You can't have one without the other, but taking it a step at a time, the first level is where the people have this thing which can be marketed. The second part of it is the only way they can get rid of it is to bring it back through an authorized redemption place. And that is the place that we concentrate our resources.

Since our resources are limited, we try to focus on those retailers that are obviously redeeming more stamps than they can possibly be selling food for, and to try to focus on those and to close them up. It is analogous to trying to go for a dealer rather than a user if you analogize it to a drug scheme.

### COMMODITY SUPPLEMENTAL FOOD PROGRAM

Ms. KAPTUR. For the record, could you give me any type of information that would compare this program to another program that the Department operates, a good example of which is Focus Hope located in Detroit. In this program the Department literally works with the farmers, somehow gets the food, surplus commodities, packaged, prepared, separate distribution sites are set up, people come in, and it is controlled.

Now, I would like to know if that is a more cost effective program. I don't know. But it is a question I am asking myself. If you could compare—Mr. Chairman, maybe you know the name of that program or one of the staff. It is a commodities surplus——

Mr. EBBITT. I could comment: it is the Commodity Supplemental Food Program.

Ms. KAPTUR. That is it.

### COMMODITY SUPPLEMENTAL FOOD PROGRAM VS. WIC PROGRAM

Mr. EBBITT. That program is really directly akin, if you will, to the WIC program. Instead of offering the WIC voucher where the recipient buys infant formula and cereal and things like that, these commodities are purchased by the Department, given to public agencies such as the one you mentioned in Detroit, and then the recipients are, instead of getting the WIC voucher, they get this package of food, the infant formula, cheese, things like that.

That particular program is relatively small, certainly very, very small in comparison to food stamps, and is designed to get to a different client than the food stamp program. And it is also very small in comparison to the direct WIC voucher program.

In fact, there is Detroit and I think there is a program operating, as I recall, in New Orleans. There are only several places around the country where that program is actually running right now.

Mr. DURBIN. WIC is about $3 billion and this program is $94 million.

Ms. KAPTUR. But I think, Mr. Chairman, in looking at other ways to do things—what I have seen in that Detroit program, which couldn't operate in a lower income area anywhere in America, is that you have job training, you have got daycare, you have got food, the WIC—it is all connected. There is a hope for the

people that come in there regardless of age. There is even access to some health care.

I like that approach, and I also like the fact that I think that money goes to the farmers rather than the retailers.

Mr. DURBIN. We are going to allow each member to ask a round of questions and then we will come back. I have quite a few questions but I want each of my colleagues to have a chance.

Mr. Peterson?

PILOT PROGRAMS ANALYSIS

Mr. PETERSON. You are obviously looking at your audits and your investigations based on current law and then how close they come to adhering to that. In these pilot programs, have you prepared a conclusion that they either fail or succeed, particularly the EBT or another alternative such as the "cash" system in the food stamp program, for instance?

Mr. GILLUM. We haven't—they haven't gotten far along enough for to us make that judgment yet.

Mr. PETERSON. What is the time line on that? When can we expect somebody to tell us that these are working or failing?

Mr. BEAUCHAMP. On the cash-out program, there are a couple of projects around the country that are pilot projects that FNS is tracking. And I think last week they made a preliminary review of those programs and they said generally they are working fairly well, although the actual food buying might have gone down.

As it relates to EBT, there are also some ongoing nationwide pilot programs. The longest was in Reading, Pennsylvania, and that is the area where we had our first investigation.

From our analysis, at least from an investigative standpoint, looking at the Reading case and some other ongoing EBT investigations we have, we still think that EBT is a better way to track food stamp benefits from a compliance and investigative standpoint.

Mr. PETERSON. Given the level of fraud that we have, 40 percent of your time is monitoring food stamps activities? It seems to me there should be a better method. I think somebody ought to tell us at what point in time do we make the transition to something better.

What is that time frame? Who is going to have to do this?

Mr. GILLUM. I think that question most fairly goes back to the Food Nutrition Service who is running these pilot projects with the States. Most of those have some internal assessment aspect to them because they vary with each of the pilot projects. And those are good questions to ask them, or we can go back and ask them and get back with you, whichever——

Mr. PETERSON. I think you need to carry the message, because it seems to me your mission is to make this Department as efficient as possible.

Mr. GILLUM. We clearly are, but we also rely on the program managers who are running those programs to carry out these pilot projects.

Mr. DURBIN. If the gentleman would yield, one of the things I have been thinking about is perhaps inviting Mr. Gillum or some people from the IG's office back when we have the agency testify

to perhaps get some dialogue as to what has been done, what could be done, and where the breakdown appears to have taken place.

ACCOMPLISHMENTS

Mr. PETERSON. We have a circle. Let's close it and break through this matter.

I used to be an IG in the Air Force and we used to walk onto these bases and say, we are here to help you. They all knew we were lying, of course. The point is, when finished we could note some specific improvements, savings, or efficiencies. You know, you are sitting with a budget of approximately $62 million.

Can you give us a ratio? Have you any feel for the savings that you have brought up?

You are not able to answer all your calls now. So, what I am suggesting is that if you could show us where you are putting something back in, then it clearly would be in our best interest to give you additional resources to do more.

Are you cost effective? Have you ever run any numbers on that?

Mr. GILLUM. Oh, clearly, and we speak to these in the statement. In 1992, which we consider a pretty average year, and it was productive, we completed 400 audits and did a thousand investigations. From those we had $48 million in actual fines and recoveries and restitutions, administrative penalties.

That almost pays for us, those direct recoveries. In addition to that, we had $135 million in overpayments which we identified; the agency managers have agreed to seek recovery. And we had $1.2 billion which was identified where managers agreed to our findings and agreed to put the money to better use, so that is a plus.

We either identified a contract that wasn't going right and we suggested they do something else, and they did or they improved their procedures based upon our recommendations and those are about $1.2 billion.

So, yes, we think we are; when you talk about maybe some more resources, we like that kind of talk.

Mr. PETERSON. Maybe we can make you more efficient.

Mr. GILLUM. That is right.

Mr. PETERSON. There is some additional return, and there has to be an acknowledgment of that in the process.

Mr. GILLUM. Clearly, and that is why monitoring and proper internal controls are needed to solve those problems before we have to deal with them on the back end.

Mr. PETERSON. Thank you, Mr. Chairman. That is all.

Mr. DURBIN. Thank you. Mr. Pastor?

FOOD STAMP TRAFFICKING

Mr. PASTOR. After seeing these figures and hearing the comments, is it 21 million people that are on food stamps, approximately?

Mr. BEAUCHAMP. It is about 25 or 26 million.

Mr. PASTOR. And we have 200,000 retail stores that participate in food stamps?

Mr. BEAUCHAMP. That is correct.

Mr. PASTOR. You give 40 percent of your time and effort in investigating trafficking. I am assuming that 40 percent basically goes to the retail end side of it. So the 21 million or 25 million people may be doing trafficking among themselves. We probably don't know how much money is being traded or sold. We don't have an estimate, do we?

Mr. GILLUM. No, I don't think anybody can really crystal-ball the amount of fraud and abuse that there is in the program. We would not want to leave here today, though, with the notion that nobody pays any attention to the recipients, because the Food and Nutrition Service actually pays money to state agencies to monitor activities in those areas.

Mr. PASTOR. How successful have they been, would you say, in your opinion?

Mr. GILLUM. Well——

Mr. PASTOR. That is a lot of people, 25 million.

Mr. GILLUM. It is, and I guess the thing we don't want to lose sight of is that we deal with a very small percentage of those, and even the persons that the Chairman mentioned earlier who can remember, you know, what they saw going through their checkout line at one point or another, even knowing those things, the anecdotal side, I don't think we would want to overlook that vast majority of those people who are being well-served by the program.

### RETAILERS

Mr. PASTOR. Let me shift the discussion to retailers. Forty percent of your time is channeled to 200,000 retail stores. At least from what I read, out of 120 spot checks on retail outlets, 113 were not eligible.

Did I read that correctly?

Mr. EBBITT. I am not sure, Mr. Pastor. If you are referring to the retail stores that we went out to visit? Those numbers sound like they might have been our retailer visits.

Mr. PASTOR. They were. You say that visits to the 120 retail stores in your sample disclosed that information was not current for 113 of them.

### COMPUTER CENTER AUDIT

Mr. EBBITT. This particular audit, was an audit of their computer center which is up in Minneapolis and it is the main computer center that stores all the data on these 200,000 retail stores. The key there is gross sales data on an annual basis from each of these retail stores. That information is in the computer system, and then as food stamps are processed back through the Federal Reserve, they are eventually recorded there on the Minneapolis computer center.

You match the two, and FNS uses that as a main control to determine if stores appear to be accepting food stamps far in excess of what is normal gross sales for them for a given point in time.

What we found is the data was far out of date. They hadn't updated that information in about five years. FNS has just completed a reauthorization program for all of those 200,000 retailers across the country where they have updated that data. This particular

audit was completed before that reauthorization review began. We have been out there checking since then to make sure that the information now coming in is, in fact, the correct data.

And we found for the most part that it is pretty good. There has been some data entry problems and things of that nature. But the data has been much better and it should allow the computer operation and that basic control to work much better than it did prior to the reauthorization effort.

INVESTIGATION SOURCES

Mr. Pastor. In your 800 investigations, was most of that investigation initiated by FNS, or was it initiated in response to a call or complaint? Are you using the FNS to say, we have problem areas in X-number of stores, so let's investigate them? Or are we just waiting for phone calls?

Because out of 200,000 stores, only 800 to a thousand cases were investigated. That leaves a huge number of stores out there on which we probably have very little data. Yet, they are still operating and hopefully most of them are operating legally.

Mr. Gillum. I think Mr. Beauchamp wanted to comment on that, but before he does there are a couple of things I want to respond to. We initiate cases based on information from all those areas. People coming in over the hotline, things that we pick up from our own investigations, tips from local law enforcement people when people know that things are going on, and information from the Food and Nutrition Service.

One of the things we want to do is work with them to get their basic data systems better so that we, too, could use those for analytical purposes. For example, we know from historical efforts that probably 75 percent of the food stamps redeemed are through large national firms, the Safeways and those kinds. There is very little fraud in those programs.

So if we can pull them out, then we focus on the other 25 percent of those in the activity. And clearly that is the kind of thing we want to do with better data.

Mr. Pastor. I see where you also request the authority to use social security numbers, but that takes special legislation. How would that information help the FNS?

Mr. Ebbitt. The SSN right now, they do obtain social security numbers for each retail store and it is maintained on the computer system. But they have limited use for that. What we have suggested is that they be able to use that and bounce it off of State information, State sales tax data, other State boards that have gross income data that you can have another check on the retail stores. And to do that does require legislation.

COMPLIANCE REVIEW

Mr. Beauchamp. If I could follow up on coordination with FNS, they have their own compliance branch which is responsible for visiting stores to see if they are in compliance with program regulations. The last couple of years they have made about 5,000 yearly visits to stores. And based on our audit recommendations on how

they run the program, we are hoping they are visiting the stores that are at most risk for violating the program.

Based on a compliance review of those stores, if they determine the store might be trafficking in food stamps, buying food stamps for cash from individuals, then they refer those matters to us for an investigation. Last year about 30 percent of our store investigations that we did in OIG were based on a referral from FNS, after they found something in a compliance review.

The other 60 percent of our investigations of stores are based on our own intelligence-gathering information, tips we have through our hot line, from other law enforcement agencies, and sometimes through an FNS district office.

FNS IMPROVEMENT

Mr. PASTOR. So if we improve FNS and that becomes a valuable tool for your investigations, that is something we ought to concentrate on.

Mr. BEAUCHAMP. Oh, yes.

Mr. PASTOR. What seems to be the problem? Not enough resources, not enough people, or the problem is too big, 200,000 stores?

Mr. GILLUM. I think it is a little bit of all of the above. When we deal with Food and Nutrition, of course, they tell us it is a resource problem. I don't know how much of a handle we have on how they use all their resources on a day-to-day basis, but clearly that is one of the things that is always put on the table.

HAZARDOUS MATERIALS

Mr. PASTOR. One more question, Mr. Chairman. It deals with the hazardous materials and how they are identified. I am concerned about the audits that deal with the food that is not properly packaged. We recently went through this problem in the northwest, I don't know what the cause of it was, but that alarms me equally as the food stamps, yet 40 percent of your resources are going into trafficking of food stamps. How much time do we spend on the public health area to make sure that the public health standards are maintained?

RESOURCE UTILIZATION

Mr. GILLUM. Let me address that two different ways. Congressman Skeen raised a question before, how do we utilize our resources, and I never did finish it. We go through an elaborate process at the beginning of every year, and try to look at past history and what we put our work on, the interests of Congress, what is in the media, and past performances as indicators of what to do, and then we sit down and try to plan our work for the year.

Even on the investigation side, which tends to be a very reactive kind of a process, we do this planning process so that we can hopefully try to at least keep control of it and try to influence it, and not just be total reactors to it.

One of the things, when we look at the Department, and one of the reasons that we spend about 35 to 40 percent, we want to spend about 35 in food and nutrition this year, the areas where—those

percentages pretty much track where the Department's monies are, too, and they sort of flow with that. And in the food inspection areas——

Mr. EBBITT. We have about six percent overall.

Mr. GILLUM. About six percent overall. There were some reports about a year or so ago of meat—slaughterhouse irregularities, et cetera. Two points were alleged.

One, that the system wasn't operating the way it was supposed to, and two, that the——

Mr. PASTOR. Which system are you referring to?

FOOD SAFETY AND INSPECTION SERVICE

Mr. GILLUM. The inspection service for slaughterhouses in the meat packing side, FSIS or Food Safety and Inspection Service. And the Secretary asked us to look at that, and there were two aspects of it.

One, the Food Safety and Inspection Service wasn't operating the way it was supposed to; and number two, the very inspectors that were supposed to be there doing their job, weren't there.

We looked behind all those allegations and we basically found at the time that the regulations in effect for meat inspection, et cetera, were being followed. And this did not address the microbiological issues that are on the table today. It addressed whether the rules and things were being followed, and we found they essentially were.

We could find no evidence that the inspectors were abusing the system and were not being in place to do their job.

Since that time, and we have a current project in process, that deals with some effort in that microbiological area. We are trying to use our resources based on where the Department's expenditures and risks are, and we think we do that, and sometimes it gets skewed in the process, of course.

Jim, do you want to turn——

WORKLOAD

Mr. EBBITT. As far as numbers and percentages are concerned, when you factor audit and investigation into the total OIG workload, about 28 percent of our workload, audit and investigation combined, is directed toward the food stamp program. Roughly six percent overall, both audit and investigation, goes towards the food safety issues which include the Food Safety and Inspection Service, the Agricultural Marketing Service, and other related programs.

And then, of course, the other big area is in the farm program area, ASCS, and deficiency payments in programs like that. And another big chunk in the Farmers Home and the Rural Development Administration, in those program areas.

So those are the big money issues in the Department where we are spending our time, as Mr. Gillum pointed out; food safety, those issues are handled first and foremost and given priority over the rest of these.

Mr. BEAUCHAMP. Could I make a comment on the food safety issue? With investigations, if we have an allegation that there is a health problem in a shipment of uninspected meat, or tampering with consumer products, we would drop any other investigation,

take people off even these high dollar food stamp investigations to put them on that health and safety issue until it is resolved.

Mr. PASTOR. Thank you, Mr. Chairman.

Mr. DURBIN. Thank you. Mr. Smith?

PAPERWORK IN ASCS OFFICES

Mr. SMITH. I think the record ought to indicate that this problem in the northwest involved the meat after it left the responsibility of the FSIS. We never did expect the inspection system to follow it to the dinner table after it gets to the restaurant or the individual family. You expect them to cook it the way they are supposed to.

I have a question with regard to the amount of paperwork in the ASCS offices; 90 percent of it at least relates to the $50,000 payment limit. At sign-up time, it is just unbelievable the amount of paperwork that goes on there, and the number of employees that are involved. I approached Secretary Yeutter three years ago, I guess, with a couple of suggestions about how to reduce some of the paperwork. He adopted one, and that was with regard to the 502C form. You have a simple form that says, we haven't changed anything since last year so use last year's form. That cut out a lot of work. I don't know how much.

But the point is the excessive amount of work it takes to fill out those forms, and provide all the information that is requested there. You wouldn't have to do an audit. It is all in everybody's file. It is unbelievable.

I believe you could get rid of most of that, I would say at least 90 percent of it, just by having a form that certifies under oath that there is no way possible that from all sources, direct and indirect, the producer will get more than $40,000 this year. That gets rid of 95 percent of the work.

Now, have you considered that?

Mr. GILLUM. Have we reviewed that?

Mr. EBBITT. Payment limitations is one of the most complex issues that ASCS is dealing with and also the auditors are dealing with. What we have is a program that lawyers love. They are pretty good for auditors, too, because it makes sure we have a lot of work to do, and it certainly requires a tremendous amount of time of county staff to fill those forms out.

In reality what is happening is that every time Congress has taken an action to try and tighten the program up, the farm community and attorneys have worked to find loopholes in that existing legislation.

And that is why the paperwork burden has become so large.

Mr. SMITH. The paperwork burden has become so large because the people who make those forms down at the Department didn't use any of their mental resources at all in figuring out how to make a simple form. What they did was take every possibility there might be under the law and make you certify that you didn't do this, you did this, give them your figures from five years ago and four years ago, stuff that they don't ever need unless you found something that might be in violation and made an audit of them.

Mr. EBBITT. Again, the problem is very complex. The rules are complex, and to fully understand each unit you have to know exactly how a farming unit operates, who is managing it, who has got the assets, who is going to do the labor. The regulations now require these all be laid out before that final determination is made.

Mr. SMITH. You have got a recommendation here, and I wish you would explain it to me. One of your recommendations allow an individual's contribution of management to qualify only one person as actively engaged.

Explain that to me.

### PAYMENT LIMITATIONS

Mr. EBBITT. Mr. Smith, one of the problems we have been reporting on in payment limitations for the last five or six years has been the creation of corporations that when we go out to audit, there are no assets of the corporations, and the way that they are allowed to be in the program is that the operator of a farm that is set up as a partnership also owns 50% of the corporations. And the operator is allowed under current rules and regulations to claim himself as providing the management for this corporation, which qualifies the corporation for a payment even though stockholders owning the remaining 50% provide no management.

In our opinion, and what we reported in a number of semiannual reports is that this is an evasion of payment limitation rules and regulations.

Mr. SMITH. Explain this to me. Just use as an example, and there are numerous examples, there are men and women, they are both partners, there are people who have two children and have three separate operations but they farm together. How does this affect a father and son, let us say, or a farm couple, and their son? They farm with one son, and also with the son-in-law. How would your recommendation affect them?

Mr. EBBITT. It probably wouldn't impact on them at all, because in your description you have described three active, ongoing farming operations with individuals only.

Mr. SMITH. I have described two. And the parents are involved in both of them.

Mr. EBBITT. But assuming that the other parties, the son, wife, and the son-in-law have got some stake in their own unit, are providing farm labor, are providing some management to the process, some assets, you have described obviously two active farming operations with four individuals eligible for payments. And our recommendation wouldn't affect that.

Mr. SMITH. There isn't more than one person actively engaged in each one.

Mr. EBBITT. That is fine, because payments would be limited to the individuals providing input to the farming operation, what our recommendation is designed to get at is corporations that are created only to qualify for payments.

Mr. SMITH. Is it only management, is that what you are referring to?

Mr. EBBITT. You have a farm, and the owner of the farm has taken some farm laborers on the farm and has created a corpora-

tion, with himself owning 50% and these people that work for him on his own farm, owning the other 50% of the corporation. It has no assets; the owner created this corporate structure simply to get another payment. And the way that it qualifies is that the farmer who owns the farm provides the management for the corporation on this farm, as well. He is able, because he set up this corporation to get a second payment.

In reality, the manager of the farm is the same, it is this one individual. But you have created one or more corporate structures where you have the main farmer associated with other parties that provide no assets, that don't necessarily provide any farm labor, but have formed this corporation. The farmer provides management, qualifies the corporation, and he is, therefore, eligible to draw this second payment.

Mr. SMITH. I won't belabor it, but I think you are going into stuff that happened five years ago that is virtually impossible now.

Mr. EBBITT. Congressman, we see it every day when we are out there looking at these payment limitation cases.

Mr. SMITH. You are required to be actively engaged. And they can't just pick up somebody off the street and say that he is farming this farm.

Mr. EBBITT. No, but they qualify by virtue of, again, the main farmer providing the management to the process. Congressman, we have some cases I would be happy to explore further with you.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Mr. SMITH. In leaving the subject, I just want to make mention of the commodity supplemental food program. It was started in Detroit, Des Moines and New Orleans. It has worked very well, but it will only work if you have a government-run agency to distribute the food.

You have got to have transportation for people to get to the distribution place. You have got to have enough people so that you can afford to operate one. You couldn't ever deliver food to all the people that need it in this country. But it is an excellent system so far as it goes.

For example, if you don't have a child, you can't get certain kinds of food that children need. Other recipients can choose whether they want cornmeal or flour. You can get whichever one you want. It really works.

And I think it is up to about 18 or 19 programs now, if I remember, instead of just the initial three. But it works as far as it goes.

Thank you.

Mr. DURBIN. Thank you, Mr. Smith.

SCHOOL LUNCH BID-RIGGING

Now for some follow-up questions. Mr. Gillum, were any companies debarred as a result of the school lunch bid-rigging investigation?

Mr. GILLUM. We are not aware of any; no, sir.

Mr. DURBIN. When a company is found guilty of bid-rigging, what options are available to the Department to penalize them?

Mr. GILLUM. The Department's agencies have programmatic sanction authority with which to take action against companies

found guilty of bid-rigging. Some of the agencies have specific legislative or regulatory authority aimed at taking action against those companies involved in this type of unlawful activity. Also, agencies can subject companies to suspension or debarment under both the Federal Acquisition Regulations, FAR governing direct Federal procurement and the nonprocurement suspension and debarment rules (7 CFR, Part 3017 for USDA) governing assistance under Federal programs. Actions under either system are discretionary in order to protect the public or the Federal Government and are not considered punitive in nature.

Mr. DURBIN. I want to give you an opportunity to elaborate a little bit on the record concerning the role that the Inspector General's Office played in this school lunch bid-rigging investigation.

Mr. BEAUCHAMP. Right now the Justice Department, the Antitrust Division, has investigations going in about 20 States nationwide. We are involved in three or four of those investigations, mainly in Texas and Oklahoma. We can provide more details for the record, if you would like.

Mr. DURBIN. If you would, we would appreciate that.

[The information follows:]

BID-RIGGING INSERT TO TESTIMONY ON PAGE 102

The Antitrust Division of the U.S. Department of Justice has responsibility for conducting investigations and prosecuting bid rigging and other criminal violations of the Sherman Antitrust Act. Concerning investigations of businesses and individuals in the milk and dairy products industries, the Antitrust Division is conducting investigations in 23 States of bid rigging on contracts for the sale of milk to public schools districts, to military installations under Department of Defense contracts, and to other public entities including hospitals and colleges. The Antitrust Division has asked OIG to assist in its investigations in three States, and in two of those investigations, criminal action was recently obtained. On February 11 of this year, criminal charges were filed in Texas against Borden, Inc., and in Oklahoma against Preston Dairy, Inc., each for bid rigging on contracts for sales of milk to public schools and other public entities. OIG remains committed to assist the Antitrust Division in its investigations of bid rigging in milk products sold to public schools.

In addition to the milk investigations, we are assisting the Antitrust Division in two other investigations of bid rigging related to the sale of other food products to public schools. As we noted last year in our testimony before this Committee, in one of these investigations in Texas, a food company, one former employee, and other individuals conspired to rig bids for contracts to supply wholesale grocery products to 31 public school districts, two hospitals, and two other public entities. The food company, Sysco Food Services, Inc., Houston, Texas, was fined $2 million. That investigation is on-going.

As you know, a substantial portion of the funding used by public school districts to purchase milk and other food commodities is provided by the Food and Nutrition Service through its child nutrition programs. While FNS administers these programs, the State and local government agencies which deliver the program benefits are responsible for handling the contracts to purchase most of the commodities. The decentralization of this contracting activity among the hundreds of public school districts nationwide makes it difficult for FNS to monitor contracts in an attempt to identify possible bid rigging activity. Based upon our recent experience in these investigations, we will work with the Department of Justice and FNS to determine if better bid monitoring and analysis procedures can be implemented to identify possible bid rigging conspiracies.

BID-RIGGING

Mr. DURBIN. In addition to receiving bonus commodities from the Department, schools are reimbursed for meals served. This reimbursement is used to purchase additional commodities served in the program. Have you done any audits at the local level to verify that the procurement process includes steps that might prevent bid-rigging from occurring?

Mr. GILLUM. As you know, it is not easy to detect contract fraud or highly collusive schemes such as the bid-rigging which occurred in the school milk contracts. However, we have an audit survey in process to evaluate procurement practices. This audit will assess whether competition is being sought according to the procurement procedures and that the manner in which the competition is sought is free from any restrictions that would prevent free and open competition. We also have plans to do an audit survey of milk contracts to determine whether controls can be established which would identify or prevent bid-rigging from occurring. Audits are also conducted under the Single Audit Act which are to include an assessment of controls over the overall procurement process and some limited compliance testing.

In 1989, we audited school district procurement practices to secure food service management companies. Our audit disclosed that many school districts did not fully comply with competitive bidding or competitive negotiation procedures. We have also audited contracts between FNS, States, or school districts and food processors and have found contract violations; however, not in bid-rigging. Besides the school lunch program, a recent OIG investigation in the Special Supplemental Food Program for Women, Infants, and Children (WIC) Program resulted in the Federal Trade Commission taking action against three manufacturers for bid-rigging in Puerto Rico. A settlement was reached with two of the companies to provide USDA with 3.6 million pounds of infant formula. The third manufacturer is facing a hearing on similar charges.

MEALS CLAIMS

Mr. DURBIN. As a result of IG audits and administrative reviews by the agency, FNS decided that improvements in the meal claiming systems used by schools were needed. Steps were taken to improve the accuracy of meal claims, as well as improve Federal oversight activities. In fiscal year 1989, the Committee provided FNS with additional money to develop a system for independent verification of school food service claims. Since then, FNS, in cooperation with state agencies, participates in local reviews of the school lunch program and provides training and technical support to schools to help them improve accountability. Have you taken a look at this coordinated review system to see if it is sufficient to meet these requirements or needs to be changed in anyway?

Mr. GILLUM. Due to much public comment and additional Congressional hearings, the implementation of the Coordinated Review Effort, (CRE), regulations were delayed and not implemented until July 1992. States could also ask for a delay until January 1993. FNS advises that 40 States implemented CRE sometime before 1993 while the remaining ones implemented it around January

1993. As a result, we have not yet reviewed implementation of this effort. We had reviewed the provisions of the regulation and supported FNS' efforts to implement them against much opposition by State and local school food authorities.

In addition to CRE and in response to other recommendations stemming from our past audits, FNS implemented new accountability regulations called "Claims Review Process" in 1989. These new requirements were developed to improve meal counting and claiming procedures at the local level. Our audits at several large school districts disclosed that these new regulations were not fully implemented. We are continuing to monitor the implementation of these requirements in our school lunch audits this fiscal year.

SCHOOL LUNCH PROGRAM—OIG EFFORTS

Mr. DURBIN. How much, in both dollars and staff, did you devote to audits and investigations of the school lunch program in fiscal year 1992 and what are your estimates for fiscal year 1993?

Mr. GILLUM. I will provide that information for the record.

[The information follows:]

| | FY 1992 | | FY 1993 (est) | |
|---|---|---|---|---|
| | FTE | Cost | FTE | Cost |
| Audit | 4.8 | $181,000 | 5.5 | $197,000 |
| Investigations | 1.0 | 46,000 | 1.0 | 46,000 |

AUDITS OF SCHOOL LUNCH PROGRAM

Mr. DURBIN. Last year you testified that you had plans to conduct audits of the national school lunch program in the Chicago Board of Education, the national school lunch program in the U.S. Virgin Islands, and the State Severe Need Requirement Payment System for School Lunch and Breakfast Programs. Have you conducted these audits, and if so, what did you find?

Mr. GILLUM. We completed the fieldwork for the audit of the National School Lunch Program (NSLP) in the Chicago Board of Education (CBOE), but the final report has not been issued. The audit identified about $1 million in donated commodities maintained in storage by the CBOE that had been on hand for periods far exceeding their recommended shelf life. We issued an Interim Notification of Program or Administrative Deficiency (Fast Report) to the FNS Midwest Regional Office (FNSRO) and, based on the report the FNSRO and the Illinois State Board of Education, placed an embargo on the movement of donated commodities until the commodities could be tested for quality and nutritional value. We were advised that all out-of-date commodities on hand at CBOE had been tested and found to be of quality and nutritional value, and could be used for the NSLP. We also found that the CBOE had about $1.3 million in excessive commodities in its inventory.

Our audit of the NSLP, U.S. Virgin Islands Department of Education (VIDOE), disclosed that the VIDOE overstated the number of meals served that were eligible for NSLP reimbursement ($707,909) and overstated other NSLP costs ($211,597). In addition,

the VIDOE's financial management system did not provide complete support for its operational expenditures to prove it had provided the required matching funds ($391,450).

Because of other workload considerations and priorities, to date we have not conducted an audit of the State Severe Need Requirement Payment System for School Lunch and Brakefast Programs.

Mr. DURBIN. What action was taken to recover the $1.3 million in overpayments to the U.S. Virgin Islands Department of Education?

Mr. GILLUM. Of the $1.3 million we questioned in the audit, $918,784 was due to Virgin Island Department of Education (VIDOE) school officials for serving meals without a fruit/vegetable component which did not meet program requirements, reporting encumbrances as expenses rather than actual costs which were lower, and failing to have documentation to support rental expenses. Of this amount, VIDOE officials were able to provide documentation to FNS supporting the rental expenses totaling $61,704. FNS billed VIDOE the difference of $857,080.

In addition, VIDOE's financial management system was not adequate to document that required matching funds of $391,450 were paid. Although disagreeing that matching fund requirements were not met, VIDOE officials agreed to make improvements and provide other documenting evidence or assurance that the matching fund requirements are met. FNS officials agreed to closely monitor VIDOE's efforts on this matter.

FNS—ACCOUNTS RECEIVABLE

Mr. DURBIN. What is being done to improve FNS's ability to validate the accounts receivable balance?

Mr. GILLUM. FNS is developing a basis for assessing and evaluating State systems for tracking and reporting on accounts receivables. Once this basis is established, guidelines will be issued to regional offices on how and when to perform assessments and to evaluate State systems. Recommendations on improving deficient state systems will be made as a result of these assessments. In addition, State agencies will be requested to substantiate claims totals and other data reported to FNS. In our audit of the FY 1992 financial statements, we are expanding our review of accounts receivable in an attempt to assist FNS in developing an effective method of validating the balance.

CHILD AND ADULT CARE FOOD PROGRAM

Mr. DURBIN. What are the results of the audits you performed during fiscal year 1992 of 81 sponsors of the Child and Adult Care Food Program in New York and Virginia?

Mr. GILLUM. During FY 1992, the audits of 81 sponsors in New York and Virginia questioned over $700,000 in costs. The centers inaccurately reported enrollment, claimed meals in excess of licensed capacity, claimed more meals than their attendance reports showed, submitted inaccurate claims, overstated administrative costs, and were not approved by FNS to operate the Child and Adult Care Food Program.

Mr. DURBIN. What did FNS do with the results of this audit?

Mr. GILLUM. In New York and Virginia, FNS, rather than the States, administer the Child and Adult Care Food Program. Each year, FNS requests that we audit a number of the sponsors with most of them being in New York. During FY 1992, we performed individual audits of 81 sponsors and questioned about $700,000. We recommended that FNS collect these funds, and FNS agreed to recover the funds. Also, FNS has advised us that New York intends to administer the program beginning next fiscal year.

### AMS—MEAT PROCESSING

Mr. DURBIN. In some of this testimony you have presented to us, under the Agricultural Marketing Service Section, you tell a pretty horrifying story about a meat processing quality control supervisor in one of these packing plants. Do you know if that case resulted in debarment? It was a case where, in fact, meat that was tainted, sour and putrid, according to your testimony, was reworked and processed without benefit of examination and reinspection.

Mr. BEAUCHAMP. They were not debarred. They went out of business after their indictment.

Mr. DURBIN. Can I assume, if they go out of business, that the same people cannot qualify to come back into business?

Mr. BEAUCHAMP. Right. I think if you are convicted for any felony or two misdemeanors relating to a meat inspection violation you can be permanently debarred.

### FMHA—EXCESSIVE CONSTRUCTION COST

Mr. DURBIN. The Farmers Home Administration, where you did some review of excessive construction costs, received recommendations from you on a series of regulatory changes. Has the Farmers Home Administration implemented these changes to your satisfaction?

Mr. EBBITT. I don't think they have got some of those things worked out yet. That report was issued about eight months ago. They are still working on some of the regulatory changes that we suggested. We have another audit, a follow-up audit underway right now looking at additional borrowers to identify fraud. We will be reporting again to FmHA on the results of that review.

### AUDIT OF THE NATIONAL FINANCE CENTER

Mr. DURBIN. An audit of the National Finance Center was done by contract. Why wasn't it done in-house? How much was the contract?

Mr. GILLUM. The USDA Office of Finance and Management, OFM, requested the audit be performed based on the recommendations of OIG and GAO. Because we did not have sufficient resources to perform the audit, it was decided to obtain the services of an independent CPA firm. OFM submitted a statement of work to the Assistant Secretary for Administration, the USDA Office of Operations administered the contract, and OIG provided technical supervision of the work as the Contracting Officer's Technical Representative. The audit cost $249,994.

Mr. DURBIN. This audit uncovered a number of weaknesses in the center's internal control structure. You say in your statement

that their computer was not secure. That is a pretty big computer operation, it it not?

Mr. EBBITT. It certainly is. The National Finance Center in New Orleans also handles payments for 35 other government agencies, including the General Accounting Office and others. We did the audit to find out what kind of controls are in place. And from a general control standpoint, we found that the basic problem is the documentation, detailing general and ADP controls is inadequate and doesn't explain the internal policies and procedures. We recommended that they document their controls.

At the same time, we did enough checking that we were fairly comfortable that payments in general are being made correctly by the center.

So we have a general control environment that needs to be strengthened, but from the standpoint of identifying problems, we didn't find that many. So we left feeling fairly comfortable that payments were being made correctly.

From a security standpoint, that is an issue we have dealt with on a number of occasions. The last time we were able to gain access to the overall center.

We could have issued checks brought the system down, or have done anything we wanted to, because we were a super user of the center.

Mr. DURBIN. When did that happen? When did that investigation take place?

Mr. EBBITT. That would have been within the last year.

Mr. DURBIN. Did you follow-up to find out whether they have corrected this problem?

Mr. EBBITT. We certainly did, on something like that, we worked with them until the problem is corrected, and it is corrected now.

Mr. DURBIN. And they are not going to tell you the password?

Mr. EBBITT. We didn't need the password. When we got in the last time we didn't need the password. But we went in trying to use the same techniques. They have locked us out successfully, but we keep trying.

Mr. GILLUM. I wouldn't want to leave that without mentioning that when this came up, Secretary Madigan became very, very interested. The Assistant Secretary for Administration, Charles Hilty, at the time took very direct interest in security, ADP security, any ADP problems in general, and really made an effort to try to get some corrective actions in those areas.

So we got a lot more attention in some of those areas than frankly we do in others.

Mr. DURBIN. You are currently conducting a follow-up audit. When do you expect this audit will be completed?

Mr. GILLUM. The fieldwork has been completed, and it is anticipated that a report will be issued by April 1993.

Mr. DURBIN. Was this follow-up audit also to be done by contract?

Mr. GILLUM. No, the audit was performed by OIG.

FEDERAL CROP INSURANCE CORPORATION

Mr. DURBIN. Mr. Hilty spoke to me about the whole issue. I know he was very interested in that.

Federal Crop Insurance is a program you return to year after year. I take it from your testimony here that there is still ample evidence of efforts to defraud under this program. I understand you are doing a nationwide review now on claims adjustment, in the Federal Crop Insurance Program. Is there any preliminary information available that you can share with us on this?

Mr. EBBITT. I think that crop insurance has made progress. There are still some problems out there, and there are a couple of cases in the testimony, a big tomato case we talked about with some major problems there, but one of the main things and the best things crop insurance did was establish a compliance unit in-house that goes out and works with the reinsurance companies to actually check claims and adjustments. That was created two or three years ago, as I recall.

As a result of that, we are finding—we are not finding as many problems as we did before. I think, again, there are still problems out there, progress is being made. I think the picture for the future is better.

We have two statistical samples for the crop year 1991 claims adjustment audit. One sample is of the corn, soybean, and wheat crops which were the crops we reviewed in our last audit and the other sample is of other insured crops within the continental United States. Only a few of the samples have been finalized, and it is not possible at this time to determine what the final projections will be. Preliminary indications are that error rates will be lower.

REINSURANCE AGREEMENT

Mr. DURBIN. What about the reinsurance agreement? Have you taken a look at that?

Mr. EBBITT. We looked at the reinsurance agreement on a number of occasions. We have made suggestions in the past on that. I think they took our suggestions to heart. We got them into the agreement. To my knowledge right now we don't have any particular concerns with the reinsurance agreement.

SUNFLOWER INVESTIGATION

Mr. DURBIN. Was there not an investigation related to sunflowers under that program? Maybe that was a few years back. It might have been GAO.

Mr. EBBITT. GAO did, too; that is right.

DISASTER PAYMENTS

Mr. DURBIN. I read in your testimony about the disaster payments and squash situation, where farmers started planting acres and acres of squash in an area that hadn't been planted before. Lo and behold, the crop didn't survive and they requested a disaster payment. Is that an isolated case?

Mr. EBBITT. That particular case is a serious case.

Mr. DURBIN. What state was that?

Mr. EBBITT. That is in Georgia. In the county we are working in, planted squash acres before the disaster program were about 500 a year. After the disaster program it went to about 10,000 in that one county. And there are some serious problems.

Mr. DURBIN. Was there more than one producer?

Mr. EBBITT. Oh, yes. There are a number of producers. That is the total in the county.

Mr. DURBIN. So, are you assuming then, that there might have been some communication among them?

Mr. EBBITT. Yes.

Mr. DURBIN. Sounds like it.

Mr. EBBITT. It is a very serious problem. We are looking at other States as well for similar kinds of patterns and issues. We really haven't found anything comparable to the squash issue.

### ADMINISTRATION OF DISASTER PROGRAMS—ASCS

Mr. DURBIN. What recommendations, if any, have you made to ASCS regarding problems identified in administering non-program crop disaster assistance?

Mr. GILLUM. We have made many recommendations regarding the administration of the disaster program and non-program crops. We will provide specific recommendations for the record.

[The information follows:]

(1) Producers to submit actual production history when available, for establishing farm yields used in determining the amount of loss due to a disaster.

(2) Producers that do not have actual production history to so certify prior to ASCS using the established county average yield for that farm.

(3) A comparison of yields and payment rates used by one State with those used by adjoining States and follow up on any significant differences.

(4) State Committees to ensure that National Agricultural Statistics Service (NASS) data used in establishing county yields is consistent with the NASS data used for national publication.

(5) State Committees to fully document the data supporting county average yields for nonprogram crops not in the NASS estimating program.

(6) State Committees to provide proposed yields and rates for nonprogram crops to the National ASCS Office for review and concurrence of reasonableness and consistency with other States.

(7) The national office to review a sample of States to ensure the process for establishing county average yields is supportable and consistent with other States.

(8) Producers that have contract with packing sheds to submit contracts and settlement statements on all non-program crops for the county committees to make a determination of the producers' and packing shed's interest in the crop.

Mr. GILLUM. Our ongoing fieldwork regarding nonprogram crop disaster assistance has identified problems regarding farmers that have not followed acceptable farming practices and who are still applying for, and receiving, disaster assistance. We have not completed this audit; however, we have been working with ASCS and they issued Notice PAD–118 on December 22, 1992, which addressed the normal farming practice issue, along with others.

Mr. DURBIN. Mr. Smith, do you have a question?

Mr. SMITH. I think I talked to the Inspector General and Secretary Madigan about this problem last year. There is absolutely no way for ASCS to administer the nonprogram crops in disaster assistance. I doubt if there is a county in the country where some-

body didn't claim they planted more than they actually did, or where they planted a crop as a second crop, and maybe made more money off it than they would from their first crop.

Mr. EBBITT. It is because they don't have a good handle on yields, on yields data, and you find that in the squash scenario, where people are planting, it would appear, simply to get the disaster payment.

Mr. DURBIN. Can I correctly assume that once a producer is found to have defrauded the Government while participating in one of these programs, that person is debarred?

Mr. EBBITT. I don't know the answer for sure, but I don't think that is a safe assumption.

FOREIGN AGRICULTURE SERVICE

Mr. DURBIN. That is something we are going to look into, I think. Let me clarify something about the Foreign Agricultural Service. In the case that you referred to on tobacco, that is an old case, is it not, that has been around a few years?

Mr. EBBITT. Yes.

WIC

Mr. DURBIN. Some questions concerning the WIC program. A lot more people are participating in the program. I am just wondering, although our committee has been a strong supporter of that program, we are concerned about the amount of money involved, how it is being used and the eligibility of people using it. You don't mention your work in this area in the statement. Are you doing anything to investigate this program?

Mr. EBBITT. About three years ago we did a nationwide audit of WIC. One of the main things we were looking at was the WIC voucher. What we found, was that a recipient would go into a retail store, buy eligible WIC items, and the items, let's say, cost $30. There is a not-to-exceed amount on the WIC voucher used by each State that is, for example, $35. So the retailer will, instead of marking in $30 and passing it back through the system, will mark down $35, and it comes back through the system.

So in other words, they were inflating the voucher over and above what the client actually purchased, the value of the food. We made several recommendations to Food Nutrition Service to try and deal with that issue. That is a tough issue for them to deal with. And we have gone back several times to ask them, how are they progressing on those regulations, and they haven't made a lot of progress. I am not sure why. There is a number of issues involved, but that is an issue that, in fact, we just checked with them again within the last month or so. And we haven't really scheduled another audit there until such time as they move those regulations along.

I will submit additional information for the record.

[The information follows:]

In 1988, we issued an audit report which reported that some vendors were overcharging the WIC programs. In response to the recommendations in our report, FNS proposed a new comprehensive vendor regulation in December 1990 which would have addressed our concerns. Over 1,000 responses were received. FNS is in the process of revising the proposed regulation, but it is still expected to be controver-

sial. Once revised, it will need to be reproposed, and implementation in the near future is unlikely. As a result, we have not conducted a comprehensive audit since 1988. Our limited audit work in this area and FNS management evaluations continue to identify problems with vendor management. Also, annual vendor monitoring reports by the States for the past 3 years continue to show a rather high incidence of overcharging.

A 1991 nationwide audit of the appropriateness of State requests for administrative costs, conducted in 8 States, 7 FNS Regional Offices, and 29 local agencies identified $7.3 million in overclaims out of $66 million reviewed and $231 million expended in the period covered by the audit.

FNS sustained approximately $6.5 million in potential overcharges, has collected about $3.2 million to date, and expects to eventually collect an additional $3.6 million (States are on payment schedules). FNS is currently working with the Department of Health and Human Services to develop a joint cost allocation plan for State administrative expenses.

In FY 1993, we plan to perform a follow up audit of WIC Administrative Costs to determine if FNS has tightened controls to prevent States from claiming ineligible administrative costs.

In the past several years, our investigative work in the WIC program has been limited. In FY 1992, as a result of investigations of the WIC programs, OIG issued one investigation report and obtained one indictment and conviction. Currently, we are conducting two investigations involving violations of the WIC program.

## VERMONT AND VIRGINIA WIC PROGRAMS

Mr. Durbin. What are the results of the audits you did to evaluate overall State operations in the Vermont and Virginia WIC programs?

Mr. Gillum. Our audit in Vermont disclosed that administration of the home delivery system needed improvement. We found that the State agency did not implement a system to identify and investigate high risk vendors. The State agency paid vendors without signed delivery receipts by participants as required.

For example, at one vendor, we found that the prices for WIC food items entered on the monthly invoices submitted by the vendor to the State did not agree with the actual prices charged by the vendor. In some cases, the vendor did not have all the wholesalers' invoices to support the WIC food items purchased from the wholesaler.

In Virginia, we found that the State agency did not complete annual reviews on all its local agencies and the onsite reviews of a minimum 20 percent of the clinics in each local agency. When operating deficiencies were identified in the local agencies, the State agency did not always notify the local agencies of the findings so that corrective action could be implemented.

We also found problems with the State agency's monitoring of vendors. The State did not effectively identify and timely disqualify vendors who were committing serious program violations. In addition, 162 vendors who had not signed a current vendor contract as required had not been terminated.

## CHIEF FINANCIAL OFFICERS ACT

Mr. Durbin. We will follow through with that.

The Chief Financial Officers Act has been become a major responsibility of your Agency. I read several comments that you've made about it, and they appear to be generally positive. For instance, your suggestion at one point is that in the long term we are going to be glad we did all this, but it really is taking a major part of your

resources. At times, 20 percent of your resources, according to one estimate, support this Act, all at the expense of other investigations.

I might say to my colleagues on the subcommittee, it is not unusual that we would come up with a new statutory responsibility to throw their way, as meritorious as it might be, and not give them resources to deal with it. So I am sure it takes time away from your ongoing work.

Is my statement here fairly accurate from your point of view?

Mr. GILLUM. Absolutely.

Mr. DURBIN. Under the Act, USDA was designated as one of five pilot Federal agencies to implement it. Audits of financial statements are to be performed for fiscal years 1990, 1991, and 1992. You have completed audits for two of the years with the third to be finished by June 30, 1993. Tell us your assessment of this Act—is it functioning as expected; what changes, if any, would you recommend; and is it cost beneficial?

Mr. GILLUM. We believe the Chief Financial Officers (CFO) Act has been successful, but the most meaningful benefits to be derived from the Act will not be achieved for several years. Since its passage, and Act has resulted in managers becoming more aware of the benefits and importance of having accurate and current financial information. What the Act will do is provide managers with better cost data for Government program.

Financial statement audits, required under the Act, identified major weaknesses in financial systems and internal controls and in the accuracy of financial data. Because of these audits, managers now have a better understanding of problems in the financial area and what actions will be necessary to correct these problems. We estimate, however, that it will take 2 to 5 years to correct the many problems identified. Once these improvements are made, accurate and current financial systems and data will enable managers to determine the costs and benefits of Government programs, have detailed information on spending, and have historical information on which to evaluate past actions and predict future program costs and benefits. The availability of this financial information will give managers information upon which to make difficult decisions and will make managers accountable for their actions. Also, since accurate financial information requires a good internal control structure, these same controls will assist managers in identifying and correcting problems before they become systemic.

Regarding changes to the CFO Act, we have no recommendations at the present time. Regarding benefits, the full benefits are yet to be realized. But as noted above, we already see a major commitment from management to correct longstanding accounting system deficiencies. This has already resulted in improved controls over the financial accounts and will provide better financial data with which more informed program operating decisions can be made.

### FINANCIAL STATEMENTS—AUDIT RESOURCES

Mr. DURBIN. In your semiannual report to Congress you state that about 20 percent of your audit resources were used on financial statement audits in fiscal year 1992. You also state that, as a

result, performance audits that have traditionally identified fraud and mismanagement in USDA programs have been canceled or deferred. What has been the cost to the Federal Government in diverting these resources?

Mr. GILLUM. While it is true that the financial statement audits have resulted in cancellation and deferral of certain performance audits, OIG is still performing audits in the high risk programs which are most susceptible to fraud and mismanagement. It is impossible to estimate the dollar amount of savings which would have resulted from the deferred and canceled audits without actually performing the audit. In addition, we have used financial statement auditors to perform additional performance related audit work while in various field offices during the conduct of financial statement audits.

In our audit planning process, we assess the controls in place and the vulnerabilities for each program in the Department. While the CFO Act required us to divert staff from program type audits, we believe we are devoting our resources to the most at-risk programs. We are also confident that improved financial accounting systems at USDA will result in better program operations overall.

### COST TO PERFORM FINANCIAL STATEMENT AUDITS

Mr. DURBIN. In last year's hearing record you estimated that it would cost $1.9 million to audit the Food and Nutrition Service, $1.3 million for Farmers Home Administration, $2.3 million for the Forest Service, and $250,000 for the consolidated financial statement, which includes all USDA agencies. Why is there such a cost difference between single agency statements and the consolidated statement? How do your original estimates compare with actual expenditure?

Mr. GILLUM. The audit of the consolidated USDA financial statements concentrates on the process used by USDA to consolidate the financial statements of FmHA, CCC, REA, FNS, FS, FCIC (six largest agencies) and the remaining smaller USDA agencies. We rely on the individual audits of the six largest agencies which include extensive field testing and verification, and we do not reaudit the statements. In other words, at the time of the audit of USDA consolidated financial statements, the fieldwork has been completed on the individual agency audits, and this supports the review of the consolidated financial statements. I will provide additional information for the record.

[The information follows:]

COMPARISON OF ACTUAL TO ESTIMATED COSTS TO PERFORM FINANCIAL STATEMENT AUDITS

| Agency | Estimate | Actual |
|---|---|---|
| FNS | $1.9 million | $1.7 million |
| FmHA | 1.3 million | 1.6 million |
| FS | 2.3 million | 2.1 million |
| Consolidated USDA | 250 thousand | .7 million |

[1] The increase of actual costs over the estimated cost is attributable to the additional audit work needed because of the poor condition of USDA accounting systems and records.

Mr. DURBIN. Do you contract out any portion of these audits? If so, how much?

Mr. GILLUM. The FCIC and REA audits were contracted out at a cost of $225,000 and $150,000, respectively. The audits of FmHA, CCC, FS, FNS, and consolidated USDA were performed by OIG.

REIMBURSABLE AGREEMENTS

Mr. DURBIN. Provide a breakout of the total amount spent, in both dollars and staff, on the audits by agency and fiscal year. Also, for REA, FCIC, and CCC provide the amount you were reimbursed each fiscal year 1990 and 1991.

Mr. GILLUM. I will provide the information for the record.

[The information follows:]

AUDITS OF FISCAL YEAR 1990 FINANCIAL STATEMENTS

| Agency | Staff FTE's | Total Cost | Reimbursement Amount |
|---|---|---|---|
| FmHA | 15 | $1,040,000 | |
| CCC | 14 | 941,000 | $675,000 |
| REA | .25 | [1] 17,000 | 0 |
| FCIC | .25 | [1] 17,000 | 0 |

[1] REA and FCIC used the GAO contract with CPA firms to procure audit services and paid GAO directly. OIG was the contracting officer's technical representative, and only those costs are reflected in this chart.

OIG did not perform audits of the FNS, FS, or consolidated FY 1990 financial statements.

AUDITS OF FISCAL YEAR 1991 FINANCIAL STATEMENTS

| Agency | Staff FTE's | Total Cost | Reimbursement Amount |
|---|---|---|---|
| FmHA | 21 | $1,558,000 | |
| CCC | 16 | 1,183,000 | [1] $723,000 |
| FNS | 23 | 1,663,000 | |
| FS | 29 | 2,141,000 | |
| REA | .5 | 227,000 | [1] 210,340 |
| FCIC | .5 | 277,000 | [1] 224,000 |
| Consolidated | 9 | 668,000 | |

[1] Prior to the CFO Act, these agencies reimbursed GAO for the cost of the audits. When the CFO Act was passed, the Department and OMB elected to continue this funding arrangement with the transfer to OIG rather than GAO since OIG was now responsible for the audits.

Costs for audits of FY 1992 financial statements are not available at this time.

QUALIFIED AUDIT OPINION VERSUS ADVERSE AUDIT OPINION

Mr. DURBIN. When issuing financial statement opinions, what is the difference between a qualified opinion and an adverse opinion?

Mr. GILLUM. A qualified opinion states that, except for the effects of the matter to which the qualification relates, the financial statements present fairly, in all material respects, financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. Qualifications can result from lack of sufficient competent evidence, restrictions on the scope of the audit, or departures from generally accepted accounting principles. An adverse opinion states that the financial statements do not present fairly the financial position or results of operations or cash flows in conformity with generally accepted accounting principles.

In other words, they cannot be relied upon to reflect the true financial status of the operations.

COMPUTER CAPABILITY

Mr. DURBIN. This question may be too complicated for you to address here. One of the common complaints I hear is that the Federal Government does not have sophisticated computer capability. Despite all of our best efforts, we tend to be behind the curve. As a consequence, we are not able to do things as efficiently as we ought to be able to, especially in terms of assessing eligibility and compliance status.

Do you have any opinion or view on this subject, as to whether or not we are up to speed in terms of computer capability and whether your job might be lessened or made a great deal easier if we were?

Mr. GILLUM. Yes, you are right, that the Federal Government and this Department probably doesn't have the systems up to speed as well as it should. That is an area in which we have done work over the years. It is an area in which we will probably continue to work. Yes, if those systems were in place and operating, they would institute controls which would not only make our job better but simply make the programs run better.

Overall, the project is proceeding as planned. In FY 1991, the Office of Inspector General began a project to upgrade its computer systems. The first phase of the project was to upgrade the headquarters computer system from six separate AT&T 3B2-400 minicomputers to an integrated LAN system using two Hewlett Packard (HP) 9000-827S RISC based computers. This phase of the project was completed in July 1992. In addition, we started the process of replacing the obsolete and/or broken AT&T 6300 personal computers (PC). To date, we have purchased about 50 percent of the replacement PC's in headquarters.

In FY 1992, OIG began the second phase of our computer replacement project to support our audit and investigative mission. This effort was to upgrade the regional computer systems and is approximately 60 percent complete. We have purchased the new NOVELL LAN systems for all regional offices, and they are currently being installed. We have also purchased about 20 percent of the AT&T 6300 replacement PC's in the field.

CONVICTION RATE

Mr. DURBIN. Your conviction rate for fiscal year 1991 was approximately 91 percent. What is it for fiscal year 1992?

Mr. GILLUM. For those 1,360 cases in which final legal and administrative action occurred in fiscal year 1992, we obtained 732 indictments and 674 convictions. Our conviction rate was approximately 92 percent.

INDICTMENTS, CONVICTIONS AND SUITS

Mr. DURBIN. Of the indictments, convictions, and suits for fiscal year 1992, provide a table of the number filed by each agency of the Department.

Mr. GILLUM. I will provide the information for the record.

[The information follows:]

| Agency | Convictions | Indictments | Suits |
|---|---|---|---|
| AMS | 3 | 3 | 0 |
| ASCS | 56 | 59 | 1 |
| FmHA | 67 | 58 | 26 |
| FCIC | 16 | 25 | 1 |
| FAS | 5 | 6 | 0 |
| FS | 5 | 6 | 0 |
| SCS | 4 | 3 | 0 |
| FSIS | 16 | 24 | 0 |
| FNS | 611 | 852 | 13 |
| APHIS | 2 | 4 | 0 |
| Total | 785 | 1,040 | 41 |

WORK ACTIVITY

Mr. DURBIN. Please update the table that appears on page 252 of last year's hearing record, showing the number of audit reports, investigative reports, indictments, convictions, and suits filed, to include fiscal year 1992.

Mr. GILLUM. I will provide the information for the record.

[The information follows:]

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1988 | 1989 | 1990 | 1991 | 1992 |
| Audit reports | 619 | 559 | 347 | 405 | 412 |
| Investigative reports | 1,451 | 1,398 | 1,461 | 1,391 | 1,484 |
| Indictments | 716 | 713 | 839 | 781 | 1,040 |
| Convictions | 646 | 573 | 671 | 808 | 785 |
| Suits | 23 | 48 | 25 | 59 | 41 |

RECOVERY OF FUNDS

Mr. DURBIN. In fiscal year 1991 you identified $35 million in overpayments for which management agreed to seek recovery. In fiscal year 1992 this amount is $135 million. How much has actually been recovered for each fiscal year and at what cost?

Mr. GILLUM. During FY's 1991 and 1992, the Department reported over $30 million in collections and offsets in the Secretary's Management Reports to Congress. The majority of these amounts represents actions taken on audits where management decisions were reached prior to FY 1991. For those audits where management decisions were reached in FY's 1991 and 1992, agencies have recovered through collections and other offsets over $5.4 million to date. We have been advised by Department officials that there are no estimates of costs incurred to recover amounts questioned in audits.

CPA CONTRACT EXPENSES

Mr. DURBIN. Please update the table that appears on page 246 of last year's hearing record showing the amount of funds expended

for outside public accountants hired under contract to include fiscal year 1992 actuals and fiscal year 1993 estimates. Also, provide an explanation for the increases which occurred over the years.

Mr. GILLUM. I will provide the information for the record.

[The information follows:]

| Fiscal year: | *Expended* |
|---|---|
| 1989 | 102,000 |
| 1990 [1] | 773,525 |
| 1991 [1 2] | 1,936,715 |
| 1992 est.[1 2] | 1,660,000 |
| 1993 est.[1 2] | 1,706,000 |

[1] Includes FNS Child and Adult Care Food Program contract audits.
[2] Also includes CFO contract audits.

SINGLE AUDIT ACT

Mr. DURBIN. Describe what the Single Audit Act is and tell us how it affects your workload?

Mr. GILLUM. Under the single audit concept, audits are made on an organizationwide basis as opposed to a grant-by-grant basis. It was generally recognized that the grant-by-grant approach resulted in considerable duplication and overlapping of effort in the audit of Federally assisted programs. Under the Single Audit Act of 1984, State and local governments that receive more than $100,000 per year in Federal assistance are required to have an annual audit meeting the requirements of the Act unless a biennial audit is required under State or local law. Governments that received between $25,000 and $100,000 per year were given the option of having a single audit or meeting the audit requirements of the individual programs. The Act provided for a Federal agency to be assigned cognizant agency responsibility for implementing the Act.

Under OMB assigned audit cognizance, OIG in FY 1992 provided oversight for the statewide audits of Minnesota and Pennsylvania and for 14 State Departments of Agriculture or Forestry and the City of San Jose. In carrying out its assigned responsibilities, OIG reviews the work performed by non-Federal auditors to determine that it meets the requirements of the Act and OMB implementing Circular A–128. In addition, OIG participated in the quality control reviews led by other assigned cognizant Federal audit organizations of State agencies administering major USDA programs. We allocated 835 staff days to the audit effort for this activity.

During FY 1992, we issued 13 audit reports covering areas over which we have cognizance. Of these reports, four contained recommendations with questioned costs of about $37,000 in USDA assistance. Single audits, however, generally emphasize an evaluation of internal controls, and compliance testing are rather limited. In addition, we received and distributed 129 reports furnished to us by other Federal cognizant organizations. Of these, 26 contained recommendations with associated monetary value of about $2.1 million.

AUDIT SERVICES—DCAA

Mr. DURBIN. Charges for audit services conducted by the Defense Contract Audit Agency (DCAA) increased 27 percent in fiscal year

1990 and are expected to increase further this fiscal year. Has this increase occurred, and if so, by how much and why?

Mr. GILLUM. DCAA increased its hourly billing rate from $37.46 in FY 1989 to $47.49 in FY 1990, an increase of 27 percent. DCAA's hourly billing rates for FY's 1991, 1992, and 1993 were $48.62, $52.43, and $53.93, respectively. Our increase in costs for contract audit services are due to DCAA's increase in its billing rates.

Mr. DURBIN. What services are provided by this agency?

Mr. GILLUM. DCAA performs contract audit services on a reimbursable basis. As cognizant audit agency, DCAA performs forward pricing audits, incurred cost audits, audits of equitable adjustment claims, preaward and postaward audits, contract closeouts, and other special request audits. U.S. Department of Agriculture procedures require contracting officers to request contract audit services through OIG. OIG coordinates with DCAA and reimburses it for audit services rendered.

### UNRESOLVED AUDITS

Mr. DURBIN. For the record please provide us with a list of all unresolved audits completed by your office.

Mr. GILLUM. The following audits do not have a management decision as of February 19, 1993. We are currently working with the agencies to reach a management decision before the issuance of our Semiannual Report to Congress covering the first 6 months of FY 1993. In some cases, the agencies are working with the Office of the General Counsel to make a determination of the issues in question or are awaiting the results of final negotiations on the audits of contracts. I will provide the request list for the record.

[The information follows:]

| Number | Assignment title | Date issued |
|---|---|---|
| 03600-0015-TE | Action on Payment Limitation for 1989 | 91/09/23 |
| 03099-0150-TE | 1989 Cucumber Disaster Assistance Payments in Texas | 91/11/21 |
| 03600-0011-TE | ASCS Implementation of Livestock Feed Programs—Texas | 90/06/21 |
| 03600-0022-TE | 1989 Payment Limitation Cases, Dallam County, Texas | 91/12/26 |
| 04099-0120-KC | Rural Rental Housing Program Servicing of HUD Section 8/515 Projects, in CO | 92/02/10 |
| 04099-0124-KC | Rural Rental Housing program Servicing of HUD Section 8/515 Projects in NE | 92/06/17 |
| 04002-0001-TE | Texas State Office Business and Industry Loan Program Operations | 90/03/28 |
| 04006-0002-TE | Debt Restructuring of Farmer Program Guaranteed Loans | 90/03/28 |
| 04099-0149-TE | FmHA B&I Loan to Gulf Coast Wood Products, Cuero, TX | 89/05/10 |
| 04099-0173-TE | Accrued Interest on Guaranteed Loan Repurchases | 92/07/16 |
| 04600-0004-FM | FmHA Controls and Security Over Remote Transaction Processing | 92/02/06 |
| 04099-0188-TE | Subsequent Loan to Debt Writedown Borrower in Dawson County, Texas | 92/08/13 |
| 04600-0006-TE | Nonprofit National Corporation Loan and Grant Program | 90/12/20 |
| 04600-0011-TE | Subsequent Loans to Net Recovery Buyout Borrowers, Washington, D.C | 92/03/31 |
| 05099-0107-KC | 1989 Dry Bean Contract No. RH-38-116-151329 for Walsh County, North Dakota | 92/03/16 |
| 05099-0020-AT | Large Claims for 1989 and 1990 Crop Years | 92/03/31 |
| 05099-0105-KC | 1989 Corn and Soybean Contract No. 24-884-048846, Vernon County, MO, Crop Hail Management. | 92/03/31 |
| 05099-0052-TE | 1989-1990 Crop Insurance Indemnities paid to King Ranch, Inc., Kleberg County, Texas | 92/07/16 |
| 27019-0069-CH | Food Stamp Program—Quality Control | 92/09/30 |
| 05600-0003-TE | Large Crop Year 1988 Claims Adjusted by Crop Hail Management | 91/03/13 |
| 05099-0055-TE | 1988 and 1989 Soybean Losses in Three Arkansas Counties | 92/07/16 |
| 08545-0056-SF | Equitable Adjustment-Slayden Construction, Inc., Stayton, Oregon | 92/04/15 |
| 08545-0058-SF | Termination Settlement Proposal—Altair, Inc., Swanton, VT | 92/05/08 |
| 08601-0001-SF | Special Use Permits Large Resorts | 92/08/10 |
| 10545-0031-HY | Allegheny Construction Co. Contract Dispute | 90/12/20 |
| 10545-0033-HY | Lang Brothers-Upper Mud River Contract Claim | 92/04/23 |

| Number | Assignment title | Date issued |
|---|---|---|
| 50566-0016-CH | Single Audit of the State of Minnesota | 92/08/20 |
| 50600-0003-KC | Implementation of Conservation Compliance Provisions | 92/08/19 |
| 50568-0234-CH | A-128 Audit of the State of Wisconsin | 92/09/04 |

### CONSERVATION COMPLIANCE—SCS

Mr. DURBIN. Mr. Gillum, in your statement you note several problems related to the conservation compliance provisions carried out by the Soil Conservation Service. At one point, you stated that the IG had estimated 10,000 tracts of land, from which producers were expected to earn about $150 million in program payments, had not been reviewed by SCS to reliably determine the success of the practice that was supposed to be implemented. We are curious whether in your review was there any determination made that problems the SCS was experiencing were a result of their lack of personnel to carry out the mandate required?

Mr. GILLUM. Although we have recognized in our reports that the Food Security Act of 1985 and the Food, Agriculture, Conservation and Trade Act of 1990 resulted in significant changes in SCS's responsibilities and workload, we concluded that the primary causes of the problems noted were inadequate procedures and ineffective supervision and not lack of staff.

Mr. DURBIN. You go on to say that SCS is developing corrective actions and is working with ASCS to improve their methods of handling farm reconstitutions. Have you done any followup audits to see if what SCS is doing is enough?

Mr. GILLUM. In response to our audit recommendation, SCS and ASCS agreed to develop and implement an electronic data sharing effort to facilitate the exchange of information to assure timely revisions to the conservation plans for reconstituted farms. The agencies expect to have the process in place by July 1993. We will consider the need to conduct followup work at that time.

### USE OF FIREARMS

Mr. DURBIN. In carrying out the duties of the OIG in fiscal year 1992, were there any instances where firearms were actually used by your personnel or against your personnel?

Mr. GILLUM. There were two occasions during FY 1992 when firearms were used by or against OIG special agents. In the first incident, during the evening of November 8, 1991, an OIG agent was involved in a shooting while in an undercover capacity, attempting to exchange food stamps for crack cocaine from a gang of drug dealers and food stamp traffickers. During the incident, four members of the gang attempted to rob the agent of his food stamps. During the robbery attempt, our agent and gang members exchanged gun fire. No one was shot during that exchange. The agent and the police backup team arrested one of the assailants at the site. The three other gang members were apprehended later. The gang leader was sentenced to 14 years in prison for assault on a Federal Officer, two gang members were each sentenced to 3 years in prison, and the remaining member is awaiting sentencing.

In the second incident, during the evening of August 13, 1992, an OIG special agent was shot in the back while conducting a surveillance of food stamp trafficking activity in Charlotte, North Carolina. The incident occurred during a shooting, apparently involving drugs, when one person shot an unarmed victim. During that shooting, a stray bullet struck the OIG agent who was in a nearby vehicle with a local police officer conducting an unrelated surveillance. Our agent was given immediate medical treatment and was able to return to duty in January of this year. No OIG firearms were drawn or fired during this incident. The FBI and local police have identified a suspect in the shooting, but an arrest has not yet been made.

Mr. DURBIN. For the record, please provide the Committee with a list of the type and number of all firearms owned and operated.

Mr. GILLUM. I will provide that information for the record.

[The information follows:]

| Type of firearm: | *Number* |
|---|---|
| 9mm semiautomatic pistols | 367 |
| 38 caliber revolvers | 52 |
| 357 caliber revolvers | 11 |
| 380 caliber semiautomatic pistols | 2 |
| 12 gauge shotguns | 48 |
| 9mm automatic weapons | 2 |

RESOURCES BY AGENCY

Mr. DURBIN. Please provide us with a table showing the breakdown of the OIG's resources and the percent of each that went towards investigations of each agency under USDA for fiscal year 1992.

Mr. GILLUM. I will provide the information for the record.

[The information follows:]

[Fiscal year 1992: Dollars in thousands]

| | Total OIG | | Investigations | | | |
|---|---|---|---|---|---|---|
| | Dollars | Staffyears | Dollars | Percent of OIG dollars | Staffyears | Percent of OIG Staffyears |
| AMS | $1,257 | 18 | $582 | 46 | 7 | 39 |
| APHIS | 1,038 | 15 | 459 | 44 | 6 | 40 |
| ASCS | 10,284 | 145 | 4,625 | 45 | 56 | 39 |
| FAS/OICD | 1,336 | 17 | 950 | 71 | 11 | 65 |
| FCIC | 1,246 | 17 | 796 | 64 | 10 | 59 |
| FmHA | 15,389 | 217 | 6,739 | 44 | 81 | 37 |
| FNS | 18,178 | 237 | 13,355 | 73 | 161 | 68 |
| FGIS/PSA/OT | 92 | 1 | 92 | 100 | 1 | 100 |
| FS | 5,421 | 82 | 919 | 17 | 11 | 13 |
| FSIS | 1,463 | 19 | 980 | 67 | 12 | 63 |
| REA | 466 | 6 | 337 | 72 | 4 | 66 |
| SCS | 506 | 8 | 184 | 36 | 3 | 38 |
| Science and ED | 510 | 8 | 92 | 18 | 1 | 13 |
| Multi-Agencies | 4,177 | 66 | 61 | 1 | 1 | 2 |
| Other | 399 | 5 | 367 | 92 | 4 | 8 |
| Economics | 0 | 0 | 0 | 0 | 0 | 0 |
| Dept. Admin | 1,024 | 15 | 92 | 9 | 1 | 7 |
| Total | 62,786 | 876 | 30,630 | 48 | 370 | 42 |

Mr. DURBIN. Provide this same information for audits.

Mr. GILLUM. I will provide the information for the record.
[The information follows:]

[Fiscal year 1992: Dollars in thousands]

| | Total OIG | | Audits | | | |
|---|---|---|---|---|---|---|
| | Dollars | Staffyears | Dollars | Percent of OIG dollars | Staffyears | Percent of OIG Staffyears |
| AMS | $1,257 | 18 | $675 | 54 | 11 | 61 |
| APHIS | 1,038 | 15 | 579 | 56 | 9 | 60 |
| ASCS | 10,284 | 145 | 5,659 | 55 | 89 | 61 |
| FAS/OICD | 1,336 | 17 | 386 | 29 | 6 | 35 |
| FCIC | 1,246 | 17 | 450 | 36 | 7 | 41 |
| FmHA | 15,389 | 217 | 8,650 | 56 | 136 | 63 |
| FNS | 18,178 | 237 | 4,823 | 27 | 76 | 32 |
| FGIS/PSA/OT | 92 | 1 | 0 | 0 | 0 | 0 |
| FS | 5,421 | 82 | 4,502 | 83 | 71 | 87 |
| FSIS | 1,463 | 19 | 483 | 33 | 7 | 37 |
| REA | 466 | 6 | 129 | 28 | 2 | 34 |
| SCS | 506 | 8 | 322 | 64 | 5 | 62 |
| Science and ED | 510 | 8 | 418 | 82 | 7 | 87 |
| Multi-Agencies | 4,177 | 66 | 4,116 | 99 | 65 | 98 |
| Other | 399 | 5 | 32 | 8 | 1 | 20 |
| Economics | 0 | 0 | 0 | 0 | 0 | 0 |
| Dept. Admin | 1,024 | 15 | 932 | 91 | 14 | 93 |
| Total | 62,786 | 876 | 32,156 | 52 | 506 | 58 |

NEW WORKLOAD REQUIREMENTS

Mr. DURBIN. For the record please provide a list of all congressionally mandated requirements that have been placed on you for the past five fiscal years, as well as the cost to comply with them.

Mr. GILLUM. I will provide the information for the record.
[The information follows:]

| *Audit title* | *Requirement* | *Cost* |
|---|---|---|
| USDA Use of Contracted Advisory and Assistance Services. | PL 97–258 passed Sept. 1992, Title 31, Section 114(b) | $87,000 |
| USDA Compliance Restrictions on Federal Funds for Lobbying. | PL 101–121 passed Oct. 1989, Section 319 | 107,000 |
| CFO/Financial Statement Audits | PL 101–576 passed Nov. 1990 | 8,100,000 |

CONFIDENTIAL EXPENSES

Mr. DURBIN. The appropriations language allows for up to $95,000 to be spent for certain confidential operational expenses. In fiscal year 1992 how much was actually used under this authority?

Mr. GILLUM. OIG actually expended $89,500 of the $95,000 allowed. Unexpended funds were returned to the Treasury Department after the end of this fiscal year.

Mr. DURBIN. Mr. Myers.

## FRAUD IN THE FOOD STAMP PROGRAM

Mr. MYERS. The Office of Inspector General has jurisdiction over fraud in the Food Stamp program. How does your authority to detect and prevent fraud in this program overlap with that of USDA's Office of Food and Nutrition Service? Are efforts made within the agencies to ensure that duplicative efforts in detecting and preventing fraud and abuse?

Mr. GILLUM. OIG and FNS work cooperatively in efforts to reduce opportunities for fraud and abuse in the Food Stamp Program and to detect and investigate fraudulent activities. While OIG is responsible for conducting criminal investigations of food stamp fraud, FNS is responsible for authorizing and monitoring retailers participating in the program. As part of its monitoring process, the FNS Compliance Branch conducts compliance reviews of retailers to determine if they are adhering to program regulations. FNS compliance investigators concentrate on identifying those retailers who accept food stamps for ineligible items or for cash. The results of those reviews are used by FNS to disqualify violating retailers from the Food Stamp Program. When a compliance review determines that a retailer is exchanging cash for food stamps, the matter is referred to OIG for criminal investigation. To avoid any duplicative efforts in detecting and preventing food stamp fraud by retailers, OIG and FNS coordinate investigative and compliance efforts at national and local levels on a daily basis.

Mr. MYERS. How much was spent by the Office of Inspector General to obtain the $4 million in fines, restitutions, recoveries, and other monetary penalties in Food Stamp Program abuses that is mentioned in your testimony? Is it costing more to litigate these cases than the Federal Government is getting back?

Mr. GILLUM. During FY 1992, OIG expended about $12.8 million conducting audits and investigations of food stamp fraud. During this same period, we obtained 827 indictments and 598 convictions of persons or businesses who defrauded the program. Our work has identified, exposed, and stopped millions of dollars worth of ongoing illegal activity. For example, in an investigation last year, we identified one retailer who was fraudulently redeeming over $20 million worth of food stamps in 1 year alone. In regard to the $4 million in fines and other monetary penalties obtained during FY 1992, monetary results from investigations frequently occur several years after the cases have been completed. Therefore, the penalties obtained by OIG in FY 1992 are not necessarily related to investigations conducted during that year. For the first 4 months of FY 1993, fines, restitutions, recoveries, and other monetary results from our food stamp investigations have already exceeded $6 million. These results were obtained from investigations conducted in FY 1992 and earlier.

Mr. MYERS. Do you find that the current methods of targeting and preventing Food Stamp abuse are working? In spite of the fact that the number of recipients has increased, is the percentage of abuse lessening?

Mr. GILLUM. The food stamp overpayment error rate has decreased from 9.9 percent in FY 1981 to 6.96 percent in 1991. Although the dollar overpayments from the 1991 error rate are great-

er than the dollar overpayments from the 1981 error rate because of the rising participation rate, one could conclude that the level of recipient abuse has been decreasing. However, in other areas, such as trafficking, abuse has not appeared to decrease.

We believe current methods of targeting and preventing food stamp fraud and abuse are working in that they are attacking the most serious part of the problem. The abuse is too extensive to eradicate completely, but we believe the strategy employed by OIG gives the best possible return for the resources expended. OIG and FNS are responsible for detecting and investigating fraud committed by retailers since the retailer is the key to the eventual redemption of illegally obtained food stamps. The States are responsible for detecting and investigating fraud by food stamp recipients. The States also share with us responsibility for investigating food stamp trafficking.

### AUDITS OF FMHA

Mr. MYERS. What percentage of your workload is dedicated to providing legal assistance to the Farmers Home Administration? Do you anticipate an increase in FmHA related cases? What are the reasons for this expected increase?

Mr. GILLUM. In FY 1992, 19 percent of audit resources and 22 percent of our investigative resources were devoted to FmHA. In FY 1993, 16 percent of audit resources and 25 percent of our investigative resources have been planned for FmHA. FmHA programs have always been given high priority by OIG but due to other competing priorities, we do not anticipate an increase in FmHA audits at this time. We would note that legal assistance is provided by the Office of the General Counsel.

Mr. MYERS. Several members of this subcommittee are supportive of efforts to move away from direct loans and into guaranteed loans in the Farmers Home Administration program. Does your office look into which of these two options would provide the most efficient and less fraudulent means of loan servicing?

Mr. GILLUM. We have performed several audits of both direct and guaranteed loan-making and loan-servicing, but have not specifically performed a comparative analysis of the two options to determine which is more efficient or less vulnerable to fraud. We have additional work planned in these areas, and we will study the feasibility of performing this type of analysis.

### HAZARDOUS WASTE MANAGEMENT

Mr. MYERS. How have changes in environmental law, whether State or Federal mandates, in the past year affected your office in dealing with related cases? Are these cases ever resolved or do the complexities force the cases to move into the next budget cycle?

Mr. GILLUM. The Federal Facilities Compliance Act of 1992 combined with OIG's facilities compliance audit effort this past year have advanced the Department's commitment to State and Federal guidelines for hazardous waste management and disposal. For example, ARS has allocated 14 additional technical personnel to its environmental and safety programs following our audit of hazardous waste management at USDA laboratories. Also, FmHA imple-

mented environmental assessment guidelines to its appraisal procedures during our examination of the environmental compliance liabilities of property acquired by the Department through forfeiture and foreclosure.

Our audits have shown difficulties in implementing corrective and remedial compliance actions. We have recommended improvements in forward planning, technical resources availability, and oversight to ensure that all noncomplying sites are identified, reported, and acted upon. We have determined that once these sites are inventoried, the Federal and State guidelines for compliance are generally being achieved.

We have observed from our work to date that some funds are being carried over in some cases, but there have not been indications thus far that this appears to be a problem.

### ALLOCATION OF OIG RESOURCES

Mr. MYERS. Of all the agencies under USDA, which one takes most of your office's resources and time?

Mr. GILLUM. We spend most of our resources on the Food and Nutrition Service's programs which includes the Food Stamp program.

Mr. DURBIN. Mr. Livingston, a member of the Appropriations Committee has submitted questions that he would like to have answered for the record.

[The questions and responses follow:]

### AUDIT OF THE NATIONAL FINANCE CENTER

Mr. LIVINGSTON. On page 21 of your written testimony you mention an audit performed by an independent certified public accounting firm that disclosed four material weaknesses in the National Finance Center's (NFC) internal control structure. When was this audit performed? What firm performed the audit?

RESPONSE. The audit was performed between June 1991 and July 1992 by Gregory K. Washington, CPA.

Mr. LIVINGSTON. If possible, provide the Subcommittee a copy of this audit as well as the response to its findings by the NFC.

RESPONSE. A copy of the audit report and response are provided for the record. NFC reviewed a draft of the report, and its comments were considered prior to issuing the final report. OIG has conducted a followup audit of NFC's general controls which included review of all issues where NFC and the contractor disagreed. This report is scheduled to be issued by April 1993.

[CLERK'S NOTE.—The information submitted is to lengthy for reprint. A copy is retained in Committee files.]

Mr. LIVINGSTON. The summary of this audit provided in the testimony seems to indicate that the four material weaknesses identified deal primarily with "documentation". Describe for the record in layman terms what documentation means.

RESPONSE. To give you an example, during the audit, changes made to ADP systems and agency data and reports were reviewed. In order to conduct the review, evidence of approval of the changes by NFC and the affected agency was requested along with hard copies of the test results of the system changes. However, NFC was unable to provide the documents. Internal control documentation should include identification of the internal control cycles and related objectives and techniques for implementing the controls. This documentation should appear in management directives, administrative policy, and accounting manuals. Documentation of transactions and other significant events should be complete and accurate and should facilitate tracing the transaction or event and related information from before it occurs, while it is in process, to after it is completed. Documentation of internal control systems should be purposeful and useful to managers, as well as those who may have

to replace them, in controlling their operations and to auditors or others involved in analyzing operations.

Mr. LIVINGSTON. Briefly describe the audit's findings regarding the cross servicing performed by the NFC.

RESPONSE. The report did not contain any findings specifically related to cross-servicing. However, the absence of general controls affects all users of NFC systems.

Mr. LIVINGSTON. Did the Inspector General's office ask for this audit? If not, whose office in USDA contracted for this audit?

RESPONSE. The USDA Office of Finance and Management (OFM) requested the audit be performed based on the recommendations of OIG and GAO. Because we did not have sufficient resources to perform the audit, it was decided to obtain the services of an independent CPA firm. OFM submitted a statement of work to the Assistant Secretary for Administration, the USDA Office of Operations administered the contract, and BIG provided technical support as the Contracting Officer's Technical Representative.

Mr. LIVINGSTON. How much did this audit cost?

RESPONSE. The audit cost $249,994.

Mr. LIVINGSTON. List for the record (including dates) Inspector General, GAO and any USDA internal audits performed on the NFC's internal control structure since 1990.

RESPONSE. I will provide the information for the record.

[The following OIG audits addressed NFC's internal control structure, in part:]

*Internal Controls Over NFC Participation In Treasury's OPAC System* dated September 25, 1990.

*Controls Over General Ledger Adjustments And Suspense Account Activity* dated March 31, 1992.

*OFM/NFC Effectiveness of Corrective Action Taken On Audit Reports* dated March 31, 1992.

*USDA Financial Statements As Of And For The Year Ended September 30, 1991, Together With Auditors' Reports* dated September 30, 1992.

Mr. LIVINGSTON. Does the NFC have a process in place for reviewing systems documentation and certifying systems? When were these systems put into effect?

RESPONSE. Yes, NFC's general controls audit disclosed NFC has a specific group to make reviews in accordance with OMB Circular No. A-130, "Management of Federal Information Systems," which went into effect December 12, 1985. NFC systems covered by A-130 have been in existence since the 1970's. However, as noted in the attached report, we believe significant improvements are necessary to document system controls.

Mr. LIVINGSTON. Does the NFC have a process in place for conducting vulnerability assessments and for tracking audit findings? When were these set up?

RESPONSE. Yes, NFC's System Review Office is responsible for performing vulnerability assessments and tracking audit findings. The vulnerability assessments were performed in 1986 in response to OMB guidelines and are now performed as part of the Department's Consolidated Review Program which was implemented in 1988. In the OIG Audit Report, *OFM/NFC Effectiveness of Corrective Action Taken On Audit Reports*, dated March 31, 1992, we reported the OFM/NFC system for tracking audit recommendations was generally effective.

The *Audit of the System-Wide General Controls at NFC* reported a material nonconformance noting vulnerability assessments at the NFC had not been updated since 1986 despite the requirement in OMB Circular A-123, "Internal Control Systems," that such assessments are to be conducted every 5 years.

Mr. LIVINGSTON. How have these documentation and assessment efforts grown over the last ten years in terms of number of resources assigned to these functions?

RESPONSE. We do not know if resources assigned to these functions have increased, but we believe that OFM/NFC could answer this question.

Mr. LIVINGSTON. What is NFC's track record for implementing recommendations from audit organizations or others inside and outside of USDA?

RESPONSE. OIG reported in its audit *OFM/NFC Effectiveness of Corrective Action Taken On Audit Reports* that the OFM/NFC system for tracking and implementing audit recommendations was generally effective. However, we noted corrective action taken for about 20 percent of the recommendations reviewed did not result in effective or sustained correction of the problem(s) identified in the audit reports. During the audit, OIG reviewed 108 recommendations from 19 audit reports issued by OIG, GAO, and independent auditors during fiscal years 1986 through 1990.

### CLOSING REMARKS

Mr. DURBIN. In closing, I would just say to my friend, Congressman Smith, that it still amazes me that you can go into a corner drug store in my hometown and in a matter of 6 seconds determine your eligibility to make a purchase using a computer network, yet we continue to generate reams of paper for Federal agencies.

Mr. SMITH. With the proper automation it would be possible that when they check out at the counter, if they have an item in their basket they are not eligible to receive, it won't go through the machine. It really works.

Mr. DURBIN. I think we are light-years away from where we should be in terms of that kind of computer crosscheck here.

### EMPLOYMENT

Mr. SMITH. I have just one more question. How many employees do you have there at the I.G.'s office?

Mr. GILLUM. We are authorized at 850.

Mr. SMITH. Do you have near 850?

Mr. DURBIN. This morning.

Mr. GILLUM. Actually we are probably at that, yes.

Mr. DURBIN. Thanks for your testimony. It has been very informative and I appreciate your patience in waiting.

Mr. GILLUM. Let me just say in closing, and Keith Collins did something at the beginning, there are a number of new Members, and even some of the more mature ones, we would be more than happy to come up and visit individually and provide a briefing, a more detailed briefing on what statutorily we are responsible for and what we do and what we are about to any Member.

Mr. DURBIN. Thank you for that offer. We will communicate it to the Members who aren't present. We might be inviting you back when some of USDA agencies that I have been taking a close look at come down to make their presentation. Perhaps we can have a constructive dialogue. Thanks for joining us today. We appreciate it.

[The biographical sketch and prepared statement follows:]

CHARLES R. GILLUM

Charles R. Gillum was appointed Deputy Inspector General of the U.S. Department of Agriculture on August 8, 1990.

Prior to this appointment, Mr. Gillum had been the Inspector General of the U.S. Small Business Administration since April 1987. He was the Deputy Inspector General of the General Services Administration from September 1981 to April 1987. From September 1980 to September 1981, he was with the Federal Home Loan Bank Board where he established that agency's first Inspector General-type organization. He also has worked for the Department of Housing and Urban Development where he served as Acting Assistant Inspector General for Investigations and held other positions in the investigative area.

A veteran, Mr. Gillum served in the U.S. Air Force from 1961 to 1968. He was a special agent, Detachment Commander, and headquarters staff member of the Office of Special Investigations.

Mr. Gillum holds a Master's degree in public administration and is active in professional associations for investigators, managers, and accountants.

Mr. Gillum is a native of Phoenix, Arizona. He and his wife reside in Alexandria, Virginia, with their two children.

STATEMENT
of
CHARLES R. GILLUM
ACTING INSPECTOR GENERAL
OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF AGRICULTURE
before the
HOUSE APPROPRIATIONS SUBCOMMITTEE ON AGRICULTURE,
RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION,
AND RELATED AGENCIES

February 16, 1993

Good afternoon, Mr. Chairman and members of the Committee. I am pleased to have the opportunity to visit with the Committee today to discuss the activities of the Office of Inspector General and to provide you with our views on some of the major programs and operations of the Department of Agriculture.

Before I get into my presentation today, I would like to introduce the members of my staff who are here with me. Jim Ebbitt, Assistant Inspector General for Audit, Craig Beauchamp, Assistant Inspector General for Investigations, and Del Thornsbury, Director of Resources Management Division.

The Office of Inspector General (OIG) performs audits and investigations for more than 300 varied and highly complex domestic and foreign programs operated by the Department's agencies. I currently have the honor of serving as Acting Inspector General for the agency and have been the Deputy Inspector General for the past 2 years. During this period, the agency has had some notable

accomplishments in carrying out its mission to detect and prevent fraud, waste, and mismanagement in the Department's programs and operations, and in working with USDA agencies to take corrective action.

Fiscal year (FY) 1992 was a productive year, during which we completed over 400 audits and 1,000 investigations. From these we obtained approximately $48 million in recoveries, collections, fines, restitutions, and administrative penalties. We had over $135 million in overpayments for which management agreed to seek recovery, and nearly $1.2 billion was identified for which management made commitments to put the funds to better use. Criminal indictments and convictions totaled 1,040 and 785 respectively.
It is important to point out also, that such achievements are not accomplished in isolation, and would not have been possible without the cooperation and hard work of the Department's program managers and the many employees of the U.S. Department of Justice.

Thus far in FY 1993, we have focused our resources on the Office of Management and Budget's (OMB) designated "high risk" areas. Included in these are the Farmers Home Administration's (FmHA) loan programs, the Federal Crop Insurance Corporation's (FCIC) indemnity payment process, and food stamp trafficking in the Food and Nutrition Service's (FNS) Food Stamp Program. We are also placing emphasis on the Department's financial accounting systems, consumer protection issues, large payments to farmers, and the guaranteed loan programs.

The focus of this work results from our strategic planning process during which we review the Department's programs where large dollar losses could occur, or where public safety and health could be affected. In developing our audit plan we also consider such issues as new or changed legislation or regulatory requirements, prior audit and investigative findings, and suggestions and concerns expressed by departmental management. Our investigative plan is influenced by priorities involving such matters as threats to public health and safety; employee integrity issues; and fraud in loan, regulatory, and benefit programs. With this approach, we have thus far been able to address, within the availability of our resources, the most critical issues and priorities affecting the Department.

With this introduction, let me now present some of the highlights of our specific audit and investigation efforts in the areas of ENTITLEMENT PROGRAMS, CONSUMER PROTECTION, DIRECT AND GUARANTEED LOANS, NATURAL RESOURCES, FINANCIAL MANAGEMENT, FEDERAL CROP INSURANCE, COMMODITY PROGRAMS, MANAGEMENT CONTROL OVER ENVIRONMENTAL HAZARDS, MARKET DEVELOPMENT and AUTOMATED DATA PROCESSING. In addition, we would like to share some of our concerns, as well as problems, which pose challenges for us in the future.

## FOOD STAMP PROGRAM

### TRAFFICKING

The Food Stamp Program (FSP) represents almost 40 percent of the Department's budget, and has been designated as a high risk area by the Department and OMB. This year program officials estimate that approximately $23 billion in food stamps will be issued to recipients. This is the largest program activity in the Department and, due to the ease with which food stamps may be exchanged or used as a second currency, it is the program most vulnerable to fraud and waste. With 1 in 10 Americans and more than 200,000 retail stores currently participating in the program, OIG must continue to channel substantial resources to FSP fraud prevention and detection efforts.

During FY 1992, we devoted approximately 40 percent of our investigative resources to the FSP. We completed and issued 897 reports of investigation. The results of our work included 827 indictments, 598 convictions, and approximately $4 million in fines, restitutions, recoveries, and other monetary penalties.

In our annual plan for FY 1993, we had anticipated devoting about 35 percent of our available investigative resources to FSP investigations. However, through the first quarter of this fiscal year, almost 50 percent of our total investigative resources have been devoted to FSP fraud investigations. These investigations have concentrated on two areas: (1) food stamp trafficking by authorized retail stores, especially those retailers whose food stamp

redemptions are greater than their reported food sales, and (2) cooperative efforts with other agencies to address street trafficking of food stamps.

A major part of this effort involves our commitment of increased resources to the investigation of retailers whose food stamp redemptions are consistently and significantly larger than their estimated gross food sales that they reported to FNS. For example, we recently completed an investigation of one of the largest dollar volume food stamp trafficking cases ever charged in one State. Six grocery store owners, former owners and employees, and two corporations have been indicted by a Federal grand jury for unlawfully purchasing and redeeming $6.6 million in food stamps over a 5-year period.

In another investigation, a $120 million civil lawsuit was filed against a grocer, two corporations, and two affiliated companies, claiming that the grocer fraudulently redeemed more than $40 million worth of food stamps. The Government is seeking triple damages. This case represents the largest civil lawsuit ever brought against a grocer since the FSP was established in 1964. The grocer, who operated a wholesale meat business, had been authorized to participate in the FSP until 1982 when the authorizations for most wholesale firms, including his, were withdrawn to reduce food stamp fraud. Our investigation found that in 1990 when the grocer was authorized by FNS to participate in the FSP as a retail store, he then accepted food stamps from retailers at his wholesale meat store and laundered these with his retail store authorization.

Street trafficking of food stamps has received increased media attention, especially in those areas where traffickers purchase food stamps for cash from recipients near issuance sites. During the past year we have conducted several investigations, usually with local law enforcement agencies, where we targeted traffickers who openly operated near issuance sites.

We believe that cooperative Federal, State, and local efforts are the only way to effectively deal with such street trafficking problems. As an example of such an effort, we worked with the Los Angeles Police Department (LAPD) to produce a 6 minute video-tape to alert its officers to problems and enforcement responsibilities in handling street trafficking. The success of that effort has resulted in the production of a generic version of the LAPD tape that was produced for use in training State and local law enforcement agencies nationwide.

Another ongoing concern of OIG is the use of food stamps by street traffickers in drug transactions. For example, a joint investigation in one State resulted in food stamp and drug trafficking charges against 42 people. During that investigation, food stamps and cash were found to be used to purchase crack cocaine from drug dealers. The U.S. attorney's office asked OIG to lead the investigation in response to requests from local authorities and news reports that narcotics dealers were selling drugs for food stamps. To date, 31 of the people charged have received court sentences ranging from 21 months to 25 years in prison.

In another effort to reduce food stamp trafficking, the Department has approved and funded pilot projects testing Electronic Benefit Transfer (EBT) as a way of reducing the level of food stamp trafficking, particularly street trafficking. We have supported the Department's EBT initiatives. We believe that EBT will help to reduce the amount of trafficking by eligible recipients and will make trafficking by retailers easier to detect and investigate.

Recently in the test EBT project in one State two owners of a small sandwich shop and 175 food stamp recipients were charged with food stamp fraud and theft by deception in connection with their activities involving the EBT system. The investigation disclosed that the recipients illegally sold some or all of their benefits to the store owners for 65 to 70 percent of their face value in cash. We estimate the store owners defrauded the FSP of approximately $122,000. The store owners have pled guilty to theft, conspiracy, and food stamp trafficking. To date, 132 of the food stamp recipients have pled guilty and have been suspended from participating in the FSP for a period of 2 years.

Last year we testified that we were reviewing the FNS retailer tracking system, which is used to monitor over 200,000 retailers authorized to participate in the FSP. FNS monitors retailer activity using computer profiles and analyzing food stamp redemptions to identify stores that may be violating program requirements. We completed an audit of FNS procedures for approving stores to accept food stamps and found that FNS needed to improve its screening of retailer applicants and its ability to deal with retail

stores that continue to accept food stamps when no longer authorized to be in the program.

We also found that the information used in FNS' tracking system was not current. FNS had updated profile data for only about 21 percent of the retailers authorized as of April 1991. Our visits to the 120 retail stores in our sample disclosed that the information was not current for 113 of them. Without an effective system, FNS cannot identify and monitor retailers whose activities may indicate food stamp trafficking and other serious violations. For FY 1992, Congress appropriated funds specifically earmarked for a special retailer integrity program. One of FNS's major efforts was to reauthorize all stores and to update sales and profile data. This effort continues in FY 1993 and when completed should prove invaluable as a tool to analyze and monitor retailer activities. In conjunction with this, we believe that FNS needs to place a higher priority on visiting retailers and reviewing their operations before approving them to accept food stamps.

We believe that another tool that could improve FNS' monitoring of retailers is the expanded use of retailers' Social Security Numbers (SSN). This would allow FNS to coordinate actions with other regulatory groups, such as State taxing or licensing agencies to compare and analyze food sales data reported to these authorities. Although FNS now has limited authority to gather and use these numbers, legislation would be required before FNS could expand its use of Social Security numbers. Current authority is limited to compiling a national data base to prevent disqualified or sanctioned firms from participating in the program.

FNS officials were aware of ADP system weaknesses and identified retailer monitoring as a vulnerable area in their annual internal control review. FNS has developed plans for, and begun (1) redesigning the ADP system, (2) conducting pilot projects involving EBT systems, and (3) studying amendments to regulations to strengthen retailer authorization, monitoring, and sanctions.

We have expended considerable audit resources over the years to assess the FNS quality control process as it relates to the establishment of error rates. Although the error rates have been reduced over the years, from 9.54 percent in FY 1983 to 6.96 percent in FY 1991, this still resulted in estimated overpayments of $1.2 billion in FY 1991. Given the sheer size of these numbers, we believe that continuing to work to seek ways to reduce error rates is not only necessary but required.

## CONSUMER PROTECTION

OIG continues to place high priority on consumer protection activities within the Department. These activities are performed by various inspection agencies within USDA and are designed to ensure that the food the consumer eats is safe, properly labeled and graded, and that the Nation's plant and animal resources are safeguarded.

**RETAILER MONITORING**

The Agricultural Marketing Service (AMS) is responsible for monitoring retailers to ensure that USDA grade labels accurately represent meat and poultry products. In a recent followup audit, we found that:

-- AMS visits to retailers had increased from 108 in 1989 to 694 in 1990, but in view of the violations disclosed in 12 percent of their monitoring visits, more visits are still needed;

-- AMS had not yet developed appropriate methodology to allow them to statistically sample retailers nationally so that adequate coverage could be provided with a minimum of scarce resources; and

-- AMS needed to more effectively use its existing authorities to cause labels to be removed, to impose fines, or to refer for prosecutive consideration, those retailers found to have deceptively labeled or advertised agricultural products.

AMS has taken corrective action by developing a risk based system designed to identify retailer outlets more prone to commit violations, and by working to establish meaningful penalties--up to $100,000--that can be effectively and quickly applied.

In a significant investigation in the AMS program area last year, an egg products processing company, its vice president, and its production manager were convicted for conspiring to violate the Egg Products Inspection Act by

concealing the presence of salmonella bacteria in their product. Both the vice president and production manager admitted they directed employees to falsify laboratory reports submitted to USDA egg inspectors. The falsified reports failed to show that approximately 500,000 pounds of dried egg product was contaminated with salmonella bacteria. The contaminated egg product, valued at about $672,000, was purchased by 20 food processing companies located in several States. The company and the production manager pled guilty to the conspiracy charge and paid fines totaling $51,000. The vice president pled guilty to the felony violation of allowing salmonella contamination in the egg product, was sentenced to 2-years probation, and fined $2,000. No reports of illness were received.

A number of investigations involving the mislabeling of meat products and selling adulterated meat were also productive. For example, meat companies in 2 States were found guilty of 14 counts of conspiracy, wire fraud, and violations of the Federal Meat Inspection Act. Five company officials were also found guilty of 13 counts associated with the above-mentioned violations. The guilty verdicts resulted from an indictment which charged the defendants with selling over 3 million pounds of misbranded meat and mislabeling the products to reflect that it had been graded when it had not. One defendant, who was a meat processing quality control supervisor, caused adulterated meat that was tainted, sour, and putrid, and which had been issued from and returned to the meat plant, to re-enter that establishment and to be reworked and processed without benefit of examination or reinspection by a USDA inspector. A sentencing date has not been set.

## DIRECT AND GUARANTEED LOANS

The Farmers Home Administration (FmHA) makes loans to family farmers, individuals for single family housing, and developers for housing projects in rural areas. As of September 30, 1992, FmHA had over 850,000 borrowers who owed about $46 billion. FmHA also had guaranteed more than $5 billion in loans made by private institutions. As the "lender of last resort," many of FmHA's loans are high risk and, as a result, loanmaking and loan servicing functions are critical to avoid unnecessary losses. Reviews of these loan programs are continuing.

### RURAL RENTAL HOUSING PROGRAM

In FY 1991, FmHA obligated over $570 million for loans to developers to construct rental housing facilities for persons living in rural areas with low to moderate incomes or who are elderly. Loan terms are for 50 years and are generally made at a 1 percent interest rate.

We performed an audit of construction activity to determine if FmHA loan funds were used properly and found a high degree of vulnerability to fraud and abuse. We reported that borrowers had inflated the costs of the projects by presenting themselves as general contractors although they did not perform general contractor duties. Borrowers also required purchases to be made through other borrower-owned companies which had no office space, equipment, or employees, but existed only to add a markup to procurements. For example, one nonexistent related party company purchased windows for a project from a material supplier for $4,217, and then added fees of $515 and profit of

$4,018. As a result, the project was assessed $8,750 for windows actually costing less than half that much. Of the 20 projects we reviewed in 5 States, we found excessive construction costs charged to 10 projects that were run by 6 different borrowers. Four of these borrowers inflated construction costs by about $540,000. The other two borrowers also inflated costs but were referred for criminal investigation before the potential overcharges were quantified. Inflated construction costs result in other adverse effects in addition to unnecessary outlays by the Government. For example, due to the interest subsidies on Rural Rental Housing (RRH) loans, the $540,000 in excess costs we identified will cost the Government about $1.3 million over the life of the loans. Most RRH projects are syndicated for tax purposes; therefore, inflating the loan amounts results in inflated tax credits for project owners. To make matters worse, loans make for higher rents--some of which are subsidized by FmHA, for the tenants, further tending to erode the programs basic objectives.

To reduce the potential for inflated construction costs, we recommended a series of regulatory changes to tighten program requirements and FmHA has initiated corrective action. We have another audit now underway to review an additional sample of RRH contractors.

<u>DEBT RESTRUCTURING PROGRAM</u>

The Agricultural Credit Act of 1987 provides assistance to farm borrowers who are delinquent on their FmHA loan payments. The law calls for FmHA to restructure these borrowers' loans to avoid losses to the Government and to allow borrowers to continue farming operations. It requires FmHA to modify

the loans by lowering interest rates; deferring payments; or consolidating, rescheduling, reamortizing, or writing down debts. If a borrower cannot pay a loan that is substantially written down and he or she still wants to avoid foreclosure, the borrower is given the option of buying out the loan at the net recovery value of the loan collateral. This is called a debt "writeoff."

Borrowers have an incentive to portray the bleakest picture of their operations when applying for debt restructuring in order to maximize the debt forgiveness. Our prior audits disclosed numerous problems with borrowers reporting inaccurate information to qualify for, or to increase the amount of, the writedown or writeoff. When applying for a loan, however, borrowers have an incentive to depict the best possible financial outlook to ensure loan approval.

At the request of FmHA, we conducted an audit of 10 borrowers who had bought out their FmHA debts at net recovery value and returned to FmHA within 1 year for subsequent farmer program loans. The 10 borrowers we reviewed had received writeoffs of over $2.4 million and new loans of about $1.7 million.

Our review disclosed that for 9 of the 10 borrowers reviewed, either the net recovery buyouts or the subsequent loans, or both, were based on inaccurate information. Six of the borrowers received over $739,000 in excessive writeoffs which resulted in unnecessary losses to the Government. Five of the borrowers did not qualify for $811,600 in subsequent loans because repayment margins did not meet the minimum requirement. Two of the nine borrowers did not qualify for either the writeoffs or the subsequent loans.

We recommended that FmHA: (1) require counties to reconcile variances between the borrowers plans for net recovery buyouts and for subsequent loans, and (2) develop procedures for approval of all future loans for net recovery buyout borrowers.

FmHA agreed to review cases cited in the audit and to require other debt writeoffs and subsequent loans to be approved by State directors. FmHA also agreed to develop procedures for State officials to follow before approving subsequent loans.

## NATURAL RESOURCES

### FOREST SERVICE

The Forest Service (FS) manages over 191 million acres of land in the National Forest System. A significant part of this responsibility is the protection of the natural resources from forest fires. FS owns, operates, and contracts for aircraft to help suppress forest fires.

### Aircraft Exchanges

In 1987, some airtanker operators under contract to FS were forced to ground their C-119 piston-engine aircraft for safety reasons. An airtanker industry representative then approached the Department of Defense (DOD) with a proposal to exchange the C-119's for excess C-130A and P-3A turbine-powered aircraft. DOD refused the offer because the C-119's had little historic or monetary value to the Air Force and because prior abuses by private firms flying military aircraft had occurred. One company and the industry consultant, who

had a prearranged agreement with several contractors to receive one-third of all planes obtained from DOD, then approached FS for support. FS, working through the General Services Administration, obtained 28 excess aircraft from DOD with a value of at least $28 million. FS then gave both the planes and their titles to the airtanker contractors. FS officials justified the exchanges on the basis that they would obtain historic aircraft from the contractors, reduce airtanker contract costs, and improve safety.

We determined that the exchanges were not in compliance with Federal property regulations. The Office of the General Counsel (OGC) also reviewed and advised the Forest Service that it did not have the authority to make the exchanges or to give title of the aircraft to the contractors.

Although the exchanges were to be at no cost to the Government, the contractors incurred $2.2 million in costs by buying back the four C-130A aircraft they had provided to the consultant and by refurbishing the "historic" aircraft they traded in. To recover these costs, the contractors may attempt to charge the Government in the form of higher contract fee rates.

In addition to these problems, we found that initially some contractors registered the aircraft with the Federal Aviation Administration (FAA) under the consultant's type certificate, and some under their own FAA certificates. The "type certificate" describes the purposes for which aircraft can be used. More than a year after the exchange, FS obtained the consultant's type certificate from the contractor and had it amended by FAA to provide for additional restrictions. Most contractors voluntarily registered their

C-130A aircraft under the revised type certificate. Our review disclosed that one airtanker contractor attempted to sell the aircraft for nonfirefighting purposes, another sold aircraft parts for profit, and two contractors used the aircraft for purposes unrelated to firefighting. For example, one contractor improperly used aircraft to transport cargo in the Persian Gulf. (FS, upon being made aware of this activity, successfully took action to have the aircraft returned to this country.) However, one contractor is currently attempting to sell C-130A aircraft to a foreign country for a substantial profit.

FS also stored seven additional excess military aircraft on contractors' facilities after being notified by OGC that the exchanges were not legal. Although FS still owns and has title to the seven aircraft, the contractors have improperly removed parts from four aircraft to use on their private aircraft and converted one Government-owned P-3A aircraft into an airtanker. The four aircraft have an estimated value of at least $4 million as parts.

We recommended that the FS seek OGC legal assistance to recover the aircraft improperly conveyed to the contractors, and that FS implement additional controls over both the aircraft and contractor billings to ensure against the Government being charged for questioned costs. FS has developed an action plan which is being analyzed within the Department.

**SOIL CONSERVATION SERVICE**

The Soil Conservation Service (SCS) administers programs designed to help protect and improve land and water resources. SCS carries out two major activities: conservation operations and watershed and flood prevention operations.

Conservation Compliance

The Food Security Act of 1985 encourages farmers to conserve highly erodible land in areas used for agricultural production. To remain eligible for Federal farm program payments, producers who want to farm highly erodible land must submit a plan to SCS for approval and implement approved conservation measures to reduce soil erosion.

This year we continued our coverage of this critical program activity through a review of producers' compliance with the conservation provisions of the Food Security Act and USDA's monitoring of this compliance.

We selected 220 conservation plans located in 10 States with 65 percent of the Nation's highly erodible cropland. We reviewed plans that called for at least one conservation practice to be implemented by 1991. At the time of our field visits, about 10 percent of the producers in our sample had not implemented required conservation practices. We estimated that producers in the 10 States were scheduled to receive about $20 million in 1991 program payments even though they had not implemented the required conservation practices.
Our audit disclosed that when SCS personnel found producers who violated conservation requirements they did not refer them to the Agricultural

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Stabilization and Conservation Service (ASCS) for a determination of their eligibility to receive program payments. We also determined that an estimated 10,000 tracts, from which producers were expected to earn about $150 million in program payments, had not been reviewed at a time when SCS could reliably determine the success of the practice. SCS procedures did not provide adequate controls to assure the reviews were completed at the best time. Further, we noted that SCS personnel did not identify some deficient plans during their compliance reviews, and they did not require correction of deficient plans that they did identify. Of the 116 plans that had been reviewed before our audit, 102 had material deficiencies not identified by the compliance reviewer.

We recommended that SCS improve communications with producers, strengthen national procedures, improve operational controls, and coordinate interagency activities. SCS and ASCS concurred with our findings. SCS is developing corrective actions, and both agencies have established a task force to improve their method of handling farm reconstitutions.

## FINANCIAL MANAGEMENT

### AUDITS OF FINANCIAL STATEMENTS

Few legislative initiatives have had as significant an impact on the Federal community as the Chief Financial Officers (CFO) Act of 1990. The Act seeks to improve Federal financial management by requiring, among other things, that agencies integrate budget, cost, and financial management information; develop systematic performance measures; and prepare annual financial statements.

USDA was designated as one of several pilot agencies to submit audited agencywide financial statements beginning with FY 1990 statements. This requirement has significantly impacted OIG operations due to the magnitude of these audits and the resources required to perform them.

In FY 1992, we fulfilled the requirements of the CFO Act by completing audits of the FY 1991 financial statements for the Commodity Credit Corporation (CCC), the Rural Electrification Administration (REA), FmHA, FNS, FS, and FCIC as well as the consolidated agencywide financial statements. We issued unqualified (clean) opinions for FmHA, CCC, FCIC, and REA. We qualified our opinion on FNS because of our inability to validate the accounts receivable balance and the associated provision for loss. FNS reported about $900 million in gross accounts receivable which was reduced to $300 million after allowing for uncollectibles. However, because State and local governments did not maintain accounting systems which supported the value of claims reported to FNS, we could not validate these amounts. We issued an adverse opinion on the financial statements of FS because supporting accounting records were incomplete or insufficient and did not meet standards for reliability. This was caused in part by the lack of an integrated accounting system which would allow uniform processing of FS transactions. As a result, the financial data for the FS asset balance was unreliable.

Our opinion on the consolidated USDA financial statements also resulted in an adverse opinion. Accounting standards were applied inconsistently and incorrectly, accounting records were not always sufficient to support account balances, and account balances themselves contained errors and omissions. For

example, actual outlays shown in the budget differed from amounts shown on the financial statements by $2.6 billion. We are currently performing audits of the FY 1992 financial statements for all major USDA agencies and corporations and the FY 1992 consolidated USDA financial statements. The completion of these audits will fulfill the CFO Act requirements for FY 1992.

GENERAL CONTROLS AT THE NATIONAL FINANCE CENTER

An audit performed under contract by an independent certified public accounting firm disclosed four material weaknesses in the National Finance Center's (NFC) internal control structure. The general control structure was inadequately documented and did not comply with the requirements of OMB and the General Accounting Office. Also, documentation for accounting and automated data processing (ADP) controls was inadequate, material adjustments to the general ledger were made without user authorization or approval, and ADP program changes were not adequately documented or controlled.

We recommended that NFC develop general control objectives and techniques, develop general ADP control policies and procedures, initiate or approve all entries and adjustments by user agencies, and improve procedures for ADP program changes.

We are currently conducting an audit of NFC's FY 1992 general controls, following up on the weaknesses identified in the prior audit.

## FEDERAL CROP INSURANCE CORPORATION

Overpayment of FCIC claims has been identified as a "high-risk" area by the Department. Recently, FCIC has expanded its compliance staff and has initiated a comprehensive enforcement strategy to combat fraud and program abuse by imposing various sanctions. We believe the compliance staff is vitally important to the success of the FCIC program. Because of the risk in this area, we have continued to include claims adjustment as a part of our audit coverage.

In FY 1992, our audits targeted 16 claims that were each in excess of $90,000. We found that because of incorrect insurance coverage and improper loss adjustments, insureds received excessive indemnity payments totaling $1.5 million. For example, for a 1990 tomato policy in one State, $859,857 was paid where the producer failed to report production on an uninsured field. FCIC referred this situation to OIG and is currently awaiting the outcome of the investigation before taking further action. Also, on this same policy, $164,358 of indemnities was paid on acreage that was ineligible for FCIC insurance coverage since it was susceptible to freezing weather.

We are continuing to work with FCIC to recover the overpayment of indemnities and administrative expenses and to improve insurance servicing and adjustment procedures. Also, we now have a nationwide review underway to follow up on the current status of claims adjustment.

In one investigation on false claims, 17 farmers recently pled guilty to defrauding FCIC of almost $1.5 million for crop years 1987 to 1991. The farmers concealed their actual production of soybeans, rice, and wheat, and later filed insurance claims for nonexistent losses. Investigations of other producers are underway with additional false claims anticipated to total more than a million dollars.

## COMMODITY PROGRAMS

In our ongoing reviews of ASCS, we have continued to emphasize abuses of the payment limitation and disaster program regulations.

### PAYMENT LIMITATION

In 1980, Congress established an annual $50,000 payment limitation per person and, in 1987, tightened eligibility over these requirements by further limiting eligibility. The new requirements allowed the farmers to reorganize their farming operations in 1989 as long as they did not increase the number of eligible "persons" they had in 1988. As a result, many large partnerships, with more than enough "persons" to receive the maximum amount of possible payments for their farming operation merely transferred ownership among the corporate partners to satisfy the new requirements.

In prior appropriation hearings and semiannual reports to Congress, we reported that farmers have been using "shell" corporations to qualify additional "persons" for payments on their farms. Despite attempts by Congress to tighten controls over payment limitation provisions, program abuse

continues through the use of "shell" corporations. These corporations are often undercapitalized and make no substantive contribution to farming operations other than management provided by certain members of such corporations.

For example, we reviewed 26 farming operations that were reorganized for 1989. Seventeen of these operations qualified 217 "persons" who received $8.2 million in payments. We found that 150 of the corporate partners in these operations were "shell" corporations used to qualify additional "persons" for payment. Without the 150 "shells," the farms would have only received $2.6 million or 70 percent less. We have recommended that ASCS (1) allow an individual's contribution of management to qualify only one "person" as "actively engaged" in the same farming operation, (2) require stockholders of corporations to provide active personal labor or management, and (3) require corporate partners in a general partnership to have assets at risk in proportion to their shares in the farming operation.

ASCS believes that our recommendations are not consistent with the intent of Congress. Regarding the use of "shell" corporations to circumvent payment limitation requirements, the Department's OGC has advised ASCS that current payment limitation regulations fail to contain a restriction of, or reference to, "shell" corporations that would justify a restrictive determination. Therefore, until regulations can be changed, it would be arbitrary and capricious for ASCS to apply a "shell" corporation rule to producers using corporations to qualify additional persons for payments.

Because of the positions of ASCS and OGC, we believe that the payment limitation regulations need to be strengthened. Congress expressed similar concerns, in the House of Representatives' December 1992 Majority Staff Report to the Committee on Government Operations. This report stated that "Congress needs to enact further limitations of payments to prevent this abuse. A more sophisticated and comprehensive management effort by ASCS, including more intensive yearend reviews, could also help save millions of dollars annually."

## DISASTER ASSISTANCE

The Disaster Assistance Act of 1989 expanded disaster assistance to nonprogram crops such as cucumbers, squash, and tomatoes. This expanded coverage has also been authorized in all subsequent disaster assistance legislation including the Supplemental Appropriations, Transfers, and Rescissions Act of 1992.

Our audits have disclosed major problems in administering the nonprogram crop disaster assistance. The major problem areas we have identified are (1) producers not reporting all of their crop production, (2) producers exceeding the $2 million gross income limitation for receiving disaster assistance, (3) producers reporting crop shares that exceed the producer's share of the risk in producing the crop as stated in contracts with such entities as packing sheds, and (4) ASCS establishing incorrect crop yields for payment purposes. Many of the weaknesses identified have resulted from, at least in part, (1) ASCS's lack of historical experience regarding nonprogram crops, and (2) ASCS's regulations not being specific enough and thereby allowing significant county committee discretion in administering the program.

Also, we currently have an ongoing audit and investigation in one State, which is the result of a whistleblower complaint, that alleged a second crop was planted with the intent of getting a disaster payment rather than for harvest of a commercial crop. In one county in that State about 500 acres of squash were planted annually prior to the initiation of the disaster programs in 1990. However, in 1992, as many as 10,000 acres of squash were planted. The County Executive Director attributed the increases directly to the disaster program. Our work on disaster payments continues.

## MANAGEMENT AND CONTROL OVER ENVIRONMENTAL HAZARDS

Our work in this area disclosed that USDA policies dealing with Occupational Safety and Health Administration's chemical hygiene requirements for hazardous materials or waste management in laboratories, needed to be improved. Six of the agency's policies did not provide ways for managers to monitor laboratory practices. We also found instances of improper labeling of hazardous chemicals, inadequate labeling of abandoned materials, and unreported waste disposal sites. Of significance, in this later category, were 59 of 64 FmHA hazardous waste sites, which by going unreported, caused the Department's estimate for environmental cleanup to be understated by $2.2 million. Departmental officials agreed with our findings, and have instituted corrective actions. We are continuing our work in this important area by implementation of a review of the Department's management of underground storage tanks.

## MARKET DEVELOPMENT

### FOREIGN AGRICULTURAL SERVICE (FAS)

During the past year, we have continued to direct audit and investigative resources to the Department's General Sales Managers (GSM) 102 and 103 export credit sales guarantee programs. Additionally, we have testified on several occasions before the subcommittees of the House Agricultural Committee, the House Banking Committee, the House Judiciary Committee, and the House Ways and Means Committee on our continuing audit and investigative activities in the GSM 102 and 103 programs; specifically, the investigation of the Atlanta branch of Banca Nazionale del Lavoro (BNL), the audit/investigations relating to Iraq's participation in the GSM 102 and 103 programs, and FAS' administration of the GSM 102 and 103 programs. During 1993, we continue with our work in the GSM 102 and 103 programs. Let me summarize our work in these areas.

### Banca Nazionale del Lavoro (BNL)

OIG agents continue working as members of the BNL-Iraq investigative/ prosecutive taskforce in Atlanta. Of the 14 individuals or firms indicted, 7 have pleaded guilty, and 2 of those have been sentenced to a total of approximately $1 million in fines, $13 million in restitution, plus debarment, while the other 5 await sentencing. The taskforce is investigating additional subjects, some of whom deal in agricultural commodities.

<u>Other Audits and Investigations</u>

Since 1988, OIG has conducted four audits and several criminal investigations related to the GSM 102 and 103 export credit sales guarantee programs administered by the FAS and the Commodity Credit Corporation (CCC). Our reviews which included sales transactions to several countries including Iraq, identified four significant areas where improvements were needed in program controls and procedures. Specifically, we found that: (1) Commodities of foreign origin were exported under the program as U.S. goods (some were 100 percent foreign), (2) exporters received excessive credit guarantees by inflating sales prices for GSM commodities, (3) after-sales services payments were made to Iraq, and (4) CCC's process for assessing the credit-worthiness of foreign banks needed strengthing.

In October 1989, December 1990, and March 1991, we issued audit reports which identified problems with exports of foreign-origin products under the GSM 102 and 103 programs. Specifically, we found that some exporters shipped foreign-origin products as domestic products and received GSM guarantees. The December and March reports also identified payments of after sales services. The most widespread of these violations related to tobacco exports where we estimated losses to be approximately $37.3 million.

In each of these reports, we recommended that the Department consider suspension or debarment of exporters who committed program violations, and recover losses related to any default claims. As a result of our audit work and subsequent investigation, eight companies entered guilty pleas for filing false statements with the Government in connection with sales of tobacco to

the countries of Egypt and Iraq. Two of the eight companies pled guilty to making false statements with respect to origin, and six companies pled guilty to making false statements with respect to port values. The eight companies were fined a total of $300,000 and ordered to pay $625,000 in restitution.

We are currently completing a followup audit of the issues we identified in our March 1991 audit of GSM sales prices. Our work, thus far, indicates that the Department has implemented an effective price review system for the GSM 102 and 103 programs.

Our March 1991 audit report also identified three exporters, in addition to the tobacco exporters, who had included after sales services payments to Iraq in their GSM guarantees, and whose sales prices to Iraq appeared to be far in excess of prevailing world prices at the time of sale. We are currently conducting investigations into these matters.

FAS has made significant improvement in GSM 102 and 103 programs. We plan additional followup this year to review FAS corrective actions.

## AUTOMATED DATA PROCESSING

USDA agencies continue to expand and upgrade their automated systems. Large mainframe computers are utilized to operate centralized accounting, payroll, and administrative type systems. Personal computers have been distributed to thousands of worksites nationwide. These computers are used both as stand alone units and as links in local and national networks. This widespread use

of automation requires effective security and control; however, our audits have disclosed security problems involving both mainframe and personal computers.

For example, we were able to gain unauthorized access to the mainframe computer at the USDA's National Finance Center in New Orleans. We accessed sensitive information governed by the Privacy Act and were able to gain access to the payroll system and to data used to process about $9.5 billion in payments annually for 32 Federal agencies.

Out of a sample of 300 minicomputers in the SCS, we were able to gain unauthorized access to 36 separate computers located in 21 different States. For some of the systems we accessed, managers were not aware of the penetration. In addition, these penetrations were made after security weaknesses had been reported to SCS in three previous audit reports and after agency managers were notified that auditors were going to make such attempts. We conducted a review at FmHA's Finance Office and 38 field offices in 5 States to determine whether FmHA maintained the integrity of and security over data transmitted from field offices to the mainframe computers at the National Computer Center (NCC) in Kansas City. We found that security weaknesses left sensitive files vulnerable to unauthorized access and enabled OIG to penetrate the systems. Automated edit checks were routinely bypassed without authorization, and inventories of computer equipment were not complete and accurate.

Our reviews of security at the NCC disclosed that problems identified in prior audits of security continued to exist. For 15 of the 27 audit recommendations we had made, NCC had either not fully implemented agreed upon corrective action or the corrective actions were not effective, and the agencies had not initiated or proposed new corrective actions.

We recommended that FmHA, SCS, NFC, and NCC managers conduct comprehensive reviews of security and implement the necessary controls. These managers have already addressed and corrected the most serious security weakness and are in the process of correcting the remaining weaknesses.

## CONCERNS AND PROBLEMS

### REQUIREMENTS IMPACTING ON DAILY WORK

There are forces impacting on the operations of, or problems confronting, the OIG which I would like to share with the Committee, so that the Committee's members can better understand and, if appropriate, work with us to achieve necessary solutions. The first of these areas of concerns, but certainly not the most important, deals with the growing number of requirements being imposed upon the OIG. Many of these, for example, are congressionally mandated by statutes requiring audits or work relating to: Contracted advisory and assistance services; restrictions on lobbying for Federal funds; agency financial statements; financial integrity; peer reviews; and continuing professional educational requirements. Each of these consume varying amounts of staff resources. The most staff intensive of these to date has been the Chief Financial Officers Act. While we are in the early stages of

implementation, it has required a commitment on our part of over 80 staff years and costs of almost $8 million. It certainly is not our intention to question the need or importance of any of these requirements. What I want the Committee's members to know is that we have to deal with these requirements in making decisions as to which audits we can or cannot do, including work which is often important because of its interest to this and other Committees of the Congress.

**WHISTLEBOWER CONCERNS**

Of great concern to us are recent reports we have received suggesting that there is a perception amongst some that whistleblowers' identities are not being properly protected and that whistleblowers are being reprised against. A related concern evolves from perceptions that hotline complaints are treated lightly because many of the hotline complaints we receive are referred to Departmental managers for review and resolution.

Let me comment on the whistleblower issue that has been raised. In so doing, I want the Committee to know that we are not aware of any situation in which the identity of a whistleblower has been improperly compromised, or any situation in which a whistleblower has been reprised against. Either situation would, of course, be unacceptable; and, while we do not possess evidence that such acts have occurred, we are making efforts to work with those who have conveyed these concerns to us, to surface the appropriate facts and take whatever actions may be required. The troublesome aspect of this is that even if there are no actual misdeeds to be addressed, the mere perception

that whistleblowers do not receive every protection and consideration provided by law or regulation, must be overcome, and we will work to that end.

HOTLINE REFERRALS AND ACTIVITIES

The concerns raised about the hotline, like those involving whistleblower protections, are not taken lightly by the OIG, and are deserving of consideration and explanation.

In 1978, OIG began operating a hotline to receive whistleblower complaints from USDA employees and the public. A staff consisting of three complaints analysts and two administrative support personnel receive these complaints by way of a toll free telephone service, a local telephone line, a post office box, and on occasions from interviews in OIG offices. The complaints involve allegations of fraud, waste, and mismanagement in the Department's programs or operations.

One particularly troublesome aspect of our hotline complaint processing operations is the need to refer some of the complaints to agency managers, rather than conducting OIG audits or investigations of all complaints. The simple truth is that we do not have the resources to investigate every complaint that comes in over the hotline. The number of complaints has increased from 389 in fiscal year 1979 to almost 4,000 in fiscal year 1992. We have handled more that 22,000 complaints through the hotline since 1978.

To deal with this volume we have a senior criminal investigator review each complaint to determine what kind of inquiry will be made. Many of these are

referred to the agency that administers the program or operation that is the subject of the complaint. We tell the agency, at a level above the suspect individual or office, what questions or issues we want them to resolve, and generally ask for a written report of their findings. These actions are then reviewed to determine whether suitable inquiry was made and documented, and to ensure that appropriate criminal, civil, or administrative action can be taken.

The issue of having agencies investigate matters regarding their programs or employees is not unique to the hotline. Each year we are unable to investigate about 1,000 allegations of wrongdoing or employee misconduct which agency managers refer to OIG for investigation. Because of the demands on our resources to do other, higher priority work, only the most serious matters involving top management officials, substantial program losses, or criminal wrongdoing are investigated by the OIG. We hold no allusions that these processes are not without shortcomings.

## CONCLUSION

This concludes my statement, Mr. Chairman. I appreciate the opportunity to appear today and present these views, and I hope that my comments have been helpful to you and the Committee. I will be pleased to respond to any questions you may have at this time.

OFFICE OF THE INSPECTOR GENERAL

Purpose Statement

Pursuant to the Inspector General Act of 1978, (5 U.S.C. app. 3), the Office of the Inspector General:

(1) Provides policy direction and conducts, supervises and coordinates all audits and investigations;

(2) reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations, and the prevention and detection of fraud, waste and mismanagement in such programs;

(3) recommends policies for and conducts, supervises or coordinates other activities in the Department whose purposes are to promote economy and efficiency or prevent and detect fraud, waste and mismanagement;

(4) recommends policies for and conducts, supervises or coordinates relationships between the Department and other Federal, State and local government agencies concerning: (a) promoting economy and efficiency; (b) preventing and detecting fraud, waste and mismanagement; and (c) identifying and prosecuting people involved in fraud, waste and mismanagement; and

(5) keeps the Secretary and the Congress fully and currently informed about fraud, other serious problems, waste, mismanagement and deficiencies in Department programs and operations, recommends corrective action, and reports on the progress made in correcting the problem.

The Office of the Inspector General is headquartered in Washington, D.C., and has regional offices in the following cities: New York, New York; Hyattsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and San Francisco, California. As of September 30, 1992, total on-board employment was 889 including 873 full-time and 16 other employees. There were 238 employees located in metropolitan area and 651 located in the field.

OFFICE OF THE INSPECTOR GENERAL

Available Funds and Staff-Years

1992 Actual and Estimated 1993 and 1994

| Item | 1992 Actual Amount | 1992 Actual Staff-Years | 1993 Estimated Amount | 1993 Estimated Staff-Years | 1994 Estimated Amount | 1994 Estimated Staff-Years |
|---|---|---|---|---|---|---|
| Office of the Inspector General | $62,786,000 | 876 | $62,786,000 | 850 | $63,918,000 | 850 |
| Obligations under other USDA appropriations: | | | | | | |
| Food and Nutrition Service- Child and Audit Care Feeding Program | 155,000 | -- | -- | -- | -- | -- |
| Commodity Credit Corporation- Audit of Financial Statements | 723,000 | -- | 752,000 | -- | 783,000 | -- |
| Federal Crop Insurance Corporation- Audit of Financial Statements | 208,000 | -- | 216,000 | -- | 225,000 | -- |
| Rural Electrification Administration- Audit of Financial Statements | 210,340 | -- | 233,000 | -- | 242,000 | -- |
| Total, Other USDA Funds | 1,296,340 | -- | 1,201,000 | -- | 1,250,000 | -- |
| TOTAL, OIG | 64,082,340 | 876 | 63,987,000 | 850 | 65,168,000 | 850 |

OFFICE OF THE INSPECTOR GENERAL

Permanent Positions by Grade and Staff-Year Summary

FY 1992 and Estimated FY 1993 and 1994

| Grade | 1992 Hdqtrs | 1992 Field | 1992 Total | 1993 Hdqtrs | 1993 Field | 1993 Total | 1994 Hdqtrs | 1994 Field | 1994 Total |
|---|---|---|---|---|---|---|---|---|---|
| Executive Level IV ..... | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 |
| ES 6 ......... | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 |
| ES 4 ......... | 5 | 0 | 5 | 6 | 0 | 6 | 6 | 0 | 6 |
| ES 3 ......... | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| ES 2 ......... | 2 | 0 | 2 | 1 | 0 | 1 | 1 | 0 | 1 |
| GS/GM 15 ..... | 15 | 14 | 29 | 15 | 14 | 29 | 15 | 14 | 29 |
| GS/GM 14 ..... | 33 | 37 | 70 | 33 | 37 | 70 | 33 | 37 | 70 |
| GS/GM 13 ..... | 39 | 136 | 175 | 39 | 136 | 175 | 39 | 136 | 175 |
| GS-12 ........ | 13 | 244 | 257 | 13 | 233 | 246 | 13 | 233 | 246 |
| GS-11 ........ | 12 | 60 | 72 | 12 | 57 | 69 | 12 | 57 | 69 |
| GS-9 ......... | 6 | 65 | 71 | 6 | 62 | 68 | 6 | 62 | 68 |
| GS-8 ......... | 3 | 3 | 6 | 3 | 3 | 6 | 3 | 3 | 6 |
| GS-7 ......... | 13 | 84 | 97 | 13 | 80 | 93 | 13 | 80 | 93 |
| GS-6 ......... | 7 | 34 | 41 | 7 | 32 | 39 | 7 | 32 | 39 |
| GS-5 ......... | 5 | 32 | 37 | 5 | 30 | 35 | 5 | 30 | 35 |
| GS-4 ......... | 2 | 9 | 11 | 2 | 8 | 10 | 2 | 8 | 10 |
| GS-3 ......... | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 | 1 |
| Total Permanent Positions.... | 158 | 719 | 877 | 157 | 693 | 850 | 157 | 693 | 850 |
| Unfilled Positions End-of-year.. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total, Permanent Employment, End-of-year.. | 158 | 719 | 877 | 157 | 693 | 850 | 157 | 693 | 850 |
| Staff-Years Ceiling...... | 158 | 718 | 876 | 157 | 693 | 850 | 157 | 693 | 850 |

OFFICE OF THE INSPECTOR GENERAL

CLASSIFICATION BY OBJECTS

1992 and Estimated 1993 and 1994

| Personnel Compensation: | 1992 | 1993 | 1994 |
|---|---|---|---|
| Headquarters.................. | $8,465,263 | $8,748,000 | $8,944,000 |
| Field.......................... | 32,038,431 | 33,107,000 | 33,848,000 |
| 11 Total personnel comp...... | 40,503,694 | 41,855,000 | 42,792,000 |
| 12 Personnel benefits........ | 9,246,505 | 9,482,000 | 9,707,000 |
| 13 Former personnel.......... | 21,069 | 42,000 | 42,000 |
| Total personnel compensation benefits.................. | 49,771,268 | 51,379,000 | 52,541,000 |
| Other Objects: | | | |
| 21 Travel.................... | 5,721,902 | 5,500,000 | 5,500,000 |
| 22 Transportation of things. | 270,362 | 225,000 | 224,000 |
| 23.2 Rental Payments to others | 115,030 | 125,000 | 125,000 |
| 23.3 Communications, utilities, and misc. charges..... | 808,236 | 1,475,000 | 1,450,000 |
| 24 Printing and reproduction | 30,055 | 125,000 | 124,000 |
| 25.1 Consulting services...... | 71,000 | 70,000 | 40,000 |
| 25.2 Other services........... | 2,312,447 | 2,430,000 | 2,438,000 |
| 26 Supplies and materials... | 761,861 | 625,000 | 622,000 |
| 31 Equipment................ | 1,219,057 | 800,000 | 822,000 |
| 42 Insurance and indemnities | 21,165 | 32,000 | 32,000 |
| 43 Interest and dividends... | 4,779 | 0 | 0 |
| Total other objects......... | 11,335,894 | 11,407,000 | 11,377,000 |
| Total direct obligations...... | 61,107,162 | 62,786,000 | 63,918,000 |

| Position Data: | | | |
|---|---|---|---|
| Average Salary, ES positions... | $104,000 | $108,000 | $109,000 |
| Average Salary, GM/GS positions | $46,000 | $49,000 | $49,000 |
| Average Grade, GM/GS positions. | 10.82 | 10.82 | 10.82 |

## OFFICE OF THE INSPECTOR GENERAL

The estimate includes proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

<u>Office of the Inspector General</u>

For necessary expenses of the Office of the Inspector General, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and the Inspector General Act of 1978 as amended, [$62,786,000] <u>$63,918,000</u>, including such items as may be necessary for contracting and other arrangements with public agencies and private persons pursuant to section 6(a)(8) of the Inspector General Act of 1978, as amended, and including a sum not to exceed $50,000 for employment under 5 U.S.C. 3109; and including a sum not to exceed $95,000 for certain confidential operational expenses including the payment of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95-452 and section 1337 of Public Law 97-98.

## OFFICE OF THE INSPECTOR GENERAL

### SALARIES AND EXPENSES

| | |
|---|---|
| Appropriations Act, 1993 . . . . . . . . . . . . . | $62,786,000 |
| Budget Estimate, 1994. . . . . . . . . . . . . . . | 63,918,000 |
| Increase in Appropriation. . . . . . . . . . . . | +1,132,000 |

### SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

| Item of Change | 1993 Estimated | Pay Cost | Other Changes | 1994 Estimated |
|---|---|---|---|---|
| Audit & Investigations | $62,786,000 | +$1,162,000 | -$30,000 | $63,918,000 |

### PROJECT STATEMENT
(On basis of appropriation)

| Project | 1992 Actual Amount | 1992 Actual Staff Years | 1993 Estimated Actual | 1993 Estimated Staff Years | Increase or Decrease | 1994 Estimated Amount | 1994 Estimated Staff Years |
|---|---|---|---|---|---|---|---|
| Audit and Investigations | $61,107,162 | 876 | $62,786,000 | 850 | +1,132,000 (1) | 63,918,000 | 850 |
| Unobligated... | 1,678,838 | -- | -- | -- | -- | -- | -- |
| Total, Appropriation. | 62,786,000 | 876 | 62,786,000 | 850 | +1,132,000 | 63,918,000 | 850 |

## EXPLANATION OF PROGRAM

This appropriation funds the activities authorized by the Inspector General Act of 1978 as amended. This Act expanded and provided specific authorities for the activities of the Office of the Inspector General which had previously been carried out under the general authorities of the Secretary of Agriculture. The Inspector General:

- -- Conducts and supervises audits and investigations relating to programs and operations of the Department of Agriculture;
- -- provides leadership and coordination and recommends policies for activities designed (a) to promote economy, efficiency, and effectiveness and (b) to prevent and detect fraud and mismanagement in programs and operations of the Department; and
- -- keeps the Secretary and the Congress fully informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

The following table shows the audits, investigations, and staff-years for each area for fiscal year 1992.

| Area | Audits/ Cases | Staff-Years of Effort |
|---|---|---|
| Audit | 412 | 506 |
| Investigations | 1,484 | 370 |
| Total | 1,896 | 876 |

## JUSTIFICATION OF INCREASES

(1) A net increase of $1,132,000 consisting of:

(a) An increase of $309,000 which reflects a 2.7 percent increase in nonsalary costs.

(b) An increase of $1,162,000 which reflects the annualization of the fiscal year 1993 pay raise.

(c) A decrease of $323,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, OIG will carefully monitor the purchase of supplies and equipment, printing and reproduction costs, and other goods and services. Limits will be established on each internal organizational office to ensure the reductions are achieved.

(d) A decrease of $16,000 for FTS 2000 funding.

This decrease reflects lower long-distance telecommunication prices due to price determinations in the FTS 2000 contracts.

OFFICE OF THE INSPECTOR GENERAL

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1992 and Estimated 1993 and 1994

| Locations | FY 1992 Amount | FY 1992 Staff-Years | FY 1993 Amount | FY 1993 Staff-Years | FY 1994 Amount | FY 1994 Staff-Years |
|---|---|---|---|---|---|---|
| California ..... | $6,848,184 | 103 | $7,036,000 | 100 | $7,164,000 | 100 |
| D.C. ........... | 12,775,203 | 158 | 13,126,000 | 157 | 13,363,000 | 157 |
| Georgia ........ | 8,243,948 | 121 | 8,470,000 | 116 | 8,623,000 | 116 |
| Illinois ....... | 6,579,457 | 106 | 6,760,000 | 102 | 6,880,000 | 102 |
| Maryland ....... | 7,432,817 | 111 | 7,637,000 | 107 | 7,775,000 | 107 |
| Missouri ....... | 10,203,105 | 152 | 10,484,000 | 147 | 10,673,000 | 147 |
| New York ....... | 2,677,015 | 33 | 2,751,000 | 32 | 2,800,000 | 32 |
| Texas .......... | 6,347,433 | 92 | 6,522,000 | 89 | 6,640,000 | 89 |
| Subtotal, Available or Estimate .. | 61,107,162 | 876 | 62,786,000 | 850 | 63,918,000 | 850 |
| Unobligated Balance ...... | 1,678,838 | -- | -- | -- | -- | -- |
| Total, Available or Estimate .. | 62,786,000 | 876 | 62,786,000 | 850 | 63,918,000 | 850 |

## OFFICE OF THE INSPECTOR GENERAL

### STATUS OF PROGRAM

The Office of the Inspector General (OIG) is operationally independent of other agencies of the Department. OIG has the responsibility to: (1) supervise, coordinate, and provide policy direction for audit and investigative activities relating to programs and operations of the Department; (2) recommend policies and conduct, supervise, or coordinate other activities of the Department for the purpose of promoting economy and efficiency and preventing and detecting fraud, waste, and mismanagement in its programs and operations; (3) keep the Secretary and the Congress informed of fraud and other serious problems, waste, and deficiencies relating to the administration of programs and operations of the Department; and (4) recommend corrective action and report on progress made in obtaining management's agreement to implement such action.

### ACCOMPLISHMENTS IN FISCAL YEAR 1992

During fiscal year (FY) 1992, OIG issued 1,484 investigative reports and 412 audit reports. Our activities also resulted in 1,040 indictments, 785 convictions, and 41 suits filed. The period of time to get court action on an indictment varies widely; therefore, the 785 convictions are not necessarily related to the 1,040 indictments.

Audit Monetary Results:

During FY 1992, management decisions were made on 439 audit reports. At the time of management decision, the monetary values agreed to by agencies were:

| | | (In millions) |
|---|---|---|
| Questioned and unsupported costs | | $ 192.9 |
| Recommended for recovery | $ 135.4 | |
| Not recommended for recovery | 57.5 | |
| Funds to be put to better use | | 1,196.0 |
| Total audit monetary results | | $1,388.9 |

Investigative Monetary Results:

| | |
|---|---|
| Recoveries and collections | $ 20.5 |
| Cost avoidance (payments not made based on investigations) | 3.3 |
| Fines | 2.2 |
| Administrative penalties | 12.6 |
| Restitution | 12.7 |
| Total investigative monetary results | $ 51.3 |

### AUDIT ACCOMPLISHMENTS

During FY 1992, we focused our audit efforts on entitlement programs, consumer protection issues, large payments to farmers, export credit programs, and guaranteed loan programs. We also audited the Department's financial statements as required by the Chief Financial Officers Act.

Details of our significant audit accomplishments can be found in the Semiannual Reports to Congress covering FY 1992. Some highlights are provided below.

CONSUMER PROTECTION

AMS Retailer Monitoring Is Not Effective Against Grade-Labeling Violations

The Agricultural Marketing Service (AMS) is responsible for monitoring retailers to ensure that USDA grade labels accurately represent meat and poultry products. Although AMS had increased the number of retailer reviews over that found in a prior audit (from 108 to 694), we believe that the number still may not be sufficient since the visits disclosed that about 12 percent of those visited misrepresented USDA grades. We recommended that AMS develop a comprehensive list of meat retailers from which to draw a sample, ensure that repeat violators are penalized, and increase the penalties that can be applied. AMS officials agreed to take action.

ENTITLEMENT PROGRAMS

FNS Retailer Monitoring Does Not Always Detect Food Stamp Trafficking

Our review of the Food and Nutrition Service's (FNS) procedures for authorizing retailers to redeem food stamps and our evaluation of the automated retailer tracking system to identify problem retailers found that retailer applicants were not adequately screened before authorizing them. FNS also did not deal effectively with stores that continued to redeem food stamps after withdrawing or being disqualified from the program. In addition, we found that the data in the automated retailer tracking system had not been updated for 79 percent of the retailers, thus hampering monitoring efforts. We concluded that FNS needed to give a higher priority to pre-authorization visits to retailers and to improve its retailer tracking system. FNS officials agreed and are developing plans to improve controls over retailer operations.

Alien Verification System May Not Be Cost-Effective

We evaluated States' use of the Immigration and Naturalization Service's (INS) governmentwide Systematic Alien Verification for Entitlements System for which FNS reimburses the States. FNS paid about $7.2 million to cover its share of costs for the Food Stamp Program from FY 1989 through FY 1991. Despite having verified the status of 736,000 alien applicants in FY 1991, State agency officials in California and Texas could not provide documentation showing any instances where the system prevented an illegal alien from receiving benefits. State officials believed that existing procedures were sufficient to allow eligibility workers to detect applicants who may be illegal aliens and refer them to INS for verification of status. We recommended that FNS stop paying for the system's use because it appears from our audit work that use of the system is not cost-effective. FNS agreed to coordinate with INS and other affected Government agencies.

FOREST SERVICE (FS)

Administrative Use of Aircraft

Controls over aircraft operations did not provide reasonable assurance that the administrative use of FS-owned and contracted aircraft was proper. Required approvals, justifications, and/or cost comparisons were not prepared for 90 percent of the 2,515 administrative flights we reviewed. Clear lines of authority for approval of the flights had not been established. Our audit disclosed about 400 instances where alternative methods of transportation were available at less cost ($162,500) to the Government.

FS officials have agreed with our recommendations, including the establishment of aircraft operations as an assessable unit in the Federal Managers' Financial Integrity Act management control system with the required risk assessments.

Historic Aircraft Exchange Program

FS did not have the authority to exchange 28 aircraft (22 C-130A's and 6 P-3A's) with contractors. FS transferred ownership of these aircraft, with an estimated value of at least $28 million (as parts only), although Federal property regulations did not permit this action. The exchanges were "brokered" by a private individual whose contractor clients received 25 of the 28 aircraft and who received 4 C-130A's for his services. While the exchanges were to be at no cost to the Government, the contractors recorded $2.2 million in related costs for repurchase of aircraft from the "broker" and for the refurbishing and delivering of historic aircraft to the museums. We also noted that contractors were attempting to sell aircraft for non-firefighting purposes, sold aircraft parts for profit, and used aircraft for purposes unrelated to firefighting. An additional seven aircraft owned by FS were sold for parts by contractors, and one was converted into an airtanker without authorization. FS agreed with most of the recommendations.

Timber Management Skewed Bidding Controls

Effective controls have not been established for restricting purchasers from assigning disproportionately large bid premiums to individual species (skewed bidding) offered in timber sales. Our review in FS Region 5 found skewed bidding on 77 of the 161 sales from August 1, 1988, through September 8, 1990. For 42 of the 77 sales, harvesting was completed as of June 30, 1991. We determined that FS lost revenue of approximately $1 million on 26 of the sales and gained revenue of approximately $321,000 for 16 sales for a net loss of approximately $752,000. FS agreed to modify its existing national policy on timber sale bidding and to implement the change on January 1, 1993.

PROGRAM COMPLIANCE, ECONOMY AND EFFICIENCY

Conservation Compliance Provisions

Soil Conservation Service (SCS) officials did not establish adequate controls to ensure the timely application of conservation practices. We concluded from our audit that about 10 percent of the producers selected by SCS for status reviews in 10 States were not eligible for about $20 million in 1991 Commodity Credit Corporation (CCC) and Agricultural Stabilization and Conservation Service (ASCS) program payments based on conditions existing at the time of our review. Also, SCS status reviews did not follow prescribed sampling methodologies, did not identify deficiencies on 102 of the 116 plans we reviewed, and were not performed timely for 92 of 220 plans requiring application in 1991. In addition, SCS and ASCS did not provide for effective monitoring of compliance activities for reconstituted farms. These recommendations are currently being reviewed by SCS and ASCS.

DIRECT AND INSURED LOANS

Controls Over Subsequent Loans to Net Recovery Buyout Borrowers Need Strengthening

Farm borrowers who bought out their Farmers Home Administration (FmHA) debts at net recovery value under the Agricultural Credit Act of 1987 and returned to FmHA within 1 year for subsequent farmer program loans did not accurately report their farm income, expenses, and debts to FmHA. A comparison of information on the plans used for buyouts and those used to obtain the

subsequent loans revealed that borrowers had misrepresented their finances, either to receive the writeoff or to qualify for the subsequent loan. Of the $2.4 million in debt write-offs approved for the 10 borrowers reviewed, $739,000 was excessive for 6 borrowers. Of the $1.7 million in subsequent loans made to the 10 borrowers reviewed, 5 borrowers did not qualify for $811,600 in loans. FmHA officials are taking corrective actions on all of our recommendations.

Significant Guaranteed Loan Losses Due to Improper Lender Servicing

Lenders used FmHA guaranteed loans to refinance farm loans previously made to customers who were already in financial jeopardy. Our review showed that 35 of the sample borrowers received guaranteed loans totaling about $10.1 million of which about $8 million was used to refinance existing loans owed to the guaranteed lenders. In addition, lenders inflated appraised values of real estate security, improperly serviced collateral property, and did not promptly liquidate assets and file estimated loss claims when liquidation was anticipated. FmHA officials agreed to establish two major task forces to develop a strategy for a comprehensive lender monitoring system.

Over $7 Million in Excess Profits and Questionable Costs Inflate Loan Amounts

Excessive costs and profits had been charged to Rural Rental Housing projects because borrowers, while acting as the general contractor, had used other general contractors to construct the projects. Also, borrowers used related party subcontractors which were merely "shell" companies designed to increase profits for borrowers. Four of 10 borrowers reviewed had inflated construction costs by $541,000. In addition, the audit disclosed $6.1 million in variances between estimated and actual costs that were unsupported. FmHA officials have agreed to strengthen the program through a series of regulation changes.

Inadequate Controls Over Accrued Interest on Guaranteed Loan Repurchases

Internal controls were not prescribed that would ensure FmHA required holders to surrender the guaranteed portion of loans after a decision to liquidate had been made by the lender. In addition, controls were not prescribed to prevent the payment of interest to holders after 90 days after their demand on lenders to repurchase the guaranteed portion of loans. Between October 1, 1987, and January 31, 1991, FmHA paid $3.5 million in excess interest on 175 loans. FmHA could save $1 million annually in interest costs in cases of borrower default by making earlier demands for loan notes held by third parties.

FmHA officials agreed to limit interest to 90 days from either the earlier of the holder's demand upon the lender for repurchase or the date of FmHA's demand upon the holder for surrender of the note.

ACCOUNTING AND FINANCIAL MANAGEMENT

Eight USDA Financial Statements Audited: One Qualified and Two Adverse Opinions Issued

As required by the Chief Financial Officers Act of 1990, we completed eight financial statement audits. We issued unqualified (clean) opinions on the FY 1991 financial statements for CCC, FmHA, the Federal Crop Insurance Corporation (FCIC), the Rural Electrification Administration, and the Rural Telephone Bank.

We gave a qualified opinion on FNS' financial statements because we could not validate the accounts receivable balance and the associated provision for loss. We issued an adver opinion on FS' financial statements because FS did

not have an integrated accounting system which allowed uniform processing of FS transactions. We issued an adverse opinion on USDA's consolidated financial statements because accounting standards were applied inconsistently and incorrectly, accounting records were not always sufficient to support account balances, and account balances themselves contained errors and omissions.

## AUTOMATED DATA PROCESSING (ADP) SYSTEMS

### Audits in Several Agencies Disclosed Vulnerable Computer Systems

We performed computer system security and control audits in SCS, FCIC, FmHA, and at USDA's National Computer Center. These systems process billions of dollars in payments and loans and contain data critical to the operations of the agencies. We identified weaknesses that would allow access by unauthorized users to sensitive files and, in fact, allowed us to penetrate the SCS, FCIC, and FmHA systems even after personnel in SCS and FCIC were informed of possible penetration attempts. Officials in these agencies are implementing corrective action in response to the recommendations we made.

### Improvements Needed in the Operations and Security of USDA's National Finance Center

During FY 1992, we completed four audits of systems and operations at USDA's National Finance Center (NFC). We identified material internal control weaknesses in NFC's Integrated Database Management System that allowed us to gain unauthorized access to sensitive information. General ledger adjustments and suspense account transactions were not supported by adequate audit trails or documentation, and the process for implementing corrective action on audit recommendations was not as effective as it could be.

We also identified material weaknesses in NFC's general internal control structure. The general control structure was inadequately documented, lacked control objectives and techniques, and did not comply with the requirements of the Office of Management and Budget and the General Accounting Office. Also, material general ledger adjustments were made without user authorization or approval, and ADP program changes were not adequately documented or controlled. These recommendations are currently being reviewed by NFC.

## FARM PROGRAMS

### Payment Limitation Rules Continue to be Violated

Producers continued to evade ASCS payment limitation rules. For example, individual producers (husband and wife) formed partnerships that were "paper" entities only in order to increase the number of "persons" to receive payments. This case resulted in improper payments of about $1 million for 1988-1990. We recommended that the 1988-1990 payments plus payments for 1991 of about $400,000 be recovered.

ASCS determined that formation of the "paper" entities constituted a scheme or device to evade the payment limitation and established claims for the 1988-1990 program years. All 1991 payments were withheld.

### One State Overpaid $1.3 Million in Disaster Assistance Payments

Of $3.1 million in 1989 cucumber disaster assistance payments audited in one State, we found overpayments totaling almost $1.3 million. These overpayments resulted from false certifications by producers, incorrect yield amounts assigned by counties, and procedural errors committed by ASCS personnel. In one county, county committee members and their relatives specifically benefited from the errors. ASCS agreed with the report recommendations and is in the process of taking corrective action on the overpayments reported.

ASCS Needs to Improve Program Operations in One State

At the request of the ASCS National Office, we performed a review of program operations in one State. This request was prompted by allegations that ASCS programs were not being properly administered in some county offices. As a result of our review, we questioned a number of program decisions made by both State and county officials. These decisions did not fully comply with ASCS regulations and resulted in improper payments to producers, including overpayments totaling about $1.6 million. One major source of the improper payments involved excessive cost-share rates for Conservation Reserve Program practices. We also found a potential conflict of interest regarding the State Executive Director (SED). The SED was part owner of a company that had business dealings with ASCS program participants. Although we did not find any evidence that the SED benefited improperly from the business connection, we concluded that the connection presented the appearance of a conflict of interest.

ASCS agreed with the findings and recommendations. However, officials there did not believe the SED's business situation constituted a conflict of interest, but, because of the appearance of a conflict, they will determine whether the SED should give up any interest in the business.

MARKET DEVELOPMENT

Exporters Receive Excessive Bonuses

The Export Enhancement Program (EEP) allows the Foreign Agricultural Service (FAS) to make U.S. agricultural commodities competitive in the world market by paying exporters the difference between the high purchase price U.S. producers charge and the low sales price foreign markets bring. Under EEP, the payment is called a "bonus."

We reviewed 87 EEP bonus agreements and found that 11 had been improperly reviewed, resulting in ineligible or questionable bonuses of about $1.8 million. In addition, two exporters we visited submitted to FAS erroneous information or altered documents resulting in improper bonuses totaling about $2.1 million.

FAS has agreed to keep its market pricing data current and periodically review EEP agreements with exporters during compliance reviews. One exporter is under criminal investigation for submitting false information to the Government.

MANAGEMENT/CONTROL OF ENVIRONMENTAL HAZARDS

Agencies' Facilities Compliance Efforts Audited to Improve Departmental Management of Hazardous Waste Program

Executive Order 12088 requires Federal agencies to ensure that facilities under their jurisdiction comply with Federal, State, and local guidelines for the control and abatement of environmental pollution. USDA agencies are responsible for the compliance of owned and leased facilities that include over 170 million acres of land and more than 21,000 buildings. Beginning in FY 1988, the Department consolidated its annual funding requirements for compliance and cleanup efforts into a single appropriation, the Hazardous Waste Program. Coordination of the program was established within the Office of the Assistant Secretary for Administration as a means to better manage hazardous materials compliance and more efficiently carry out hazardous waste cleanup. Through FY 1992, the program obligated more than $50 million.

This past year, OIG reviewed the planning, obligating, and reporting of program costs and activities, assessed the status of compliance efforts at

USDA laboratories, and evaluated agencies' use of interagency agreements to obtain technical assistance. Our audits disclosed that the program was in need of guidance and oversight to ensure that agencies would meet their environmental protection obligations on a timely basis. The Assistant Secretary has agreed to improve agency inspections, increase monitoring, and assist agencies in obtaining the technical assistance they need to complete these requirements.

INSURANCE

Improper Servicing Continues to Cause Excessive Indemnities

Improper coverage and adjustments resulted in $1.5 million in excess indemnities. We reviewed 16 claims covering 8 different crops in 10 States, each having a claim in excess of $90,000. In calculating the losses, the agents insured crops on acreage that was ineligible for FCIC insurance coverage, used incorrect actuarial classifications, and allowed changes in prices and acreage after closing deadlines. Loss adjusters made errors in determining eligible production-to-count and did not always verify insured acreage.

Two other reports identified overpayments totaling $334,000. One large ranch was overpaid $224,000 in indemnity payments because the reinsured company used the incorrect yields for new cropland brought into production. Three soybean producers obtained over $110,000 in crop insurance benefits by incorrectly reporting production. The producers harvested soybeans from insured acres and sold them under the names of an employee and friend. These producers also received proceeds totaling about $27,000 over a 3-year period from sales of 3,900 bushels of soybeans that were not reported to the insurance adjuster for loss purposes.

## INVESTIGATIONS ACCOMPLISHMENTS

FOOD AND NUTRITION SERVICE

In FY 1992, OIG issued 918 reports of investigation relating to FNS programs, including 901 relating to the Food Stamp Program (FSP). Overall monetary results exceeded $11.4 million, which included over $2.1 million in restitutions, over $8 million in recoveries/collections, fines in excess of $800,000, and over $220,000 in administrative penalties. Examples of these cases are set forth below.

Food Stamp Program

- Two owners and the president of a wholesale meat firm pled guilty to charges of illegally acquiring and redeeming over $82 million in food stamps. This case represents the largest food stamp fraud since the program was established in 1964. In the 1970's, the businessmen obtained USDA authorizations to participate in FSP for their wholesale meat company and a small retail grocery store. However, in 1982, authorizations for most wholesale firms, including their firm, were withdrawn in an effort to reduce food stamp fraud. Our investigation found that the businessmen continued to accept approximately $82.2 million in food stamps in their wholesale store from 1982 until it was raided by OIG special agents in July 1991. The businessmen redeemed the food stamps at a bank using the authorization of their small retail grocery store even though that store had been closed as a retail store since the mid-1980's. The investigation found many of the wholesaler's customers were not authorized to accept food stamps from recipients; several others were stores which had been disqualified from FSP for violating the Program's provisions, including buying food stamps for cash. The investigation is continuing.

- The 2 owners of a small sandwich shop and 140 food stamp recipients were charged with theft by deception and food stamp fraud in connection with their activities involving the Electronic Benefit Transfer (EBT) System. This was the first major investigation involving the EBT system. This system will enable Government agencies to deliver food stamp benefits to recipients via the use of electronic technology, thus eliminating food stamp coupons and retailer redemption certificates. From June 1988 through September 1991, the shop owners conducted food stamp transactions via the EBT system with 601 different food stamp recipients. The investigation found that at least 313 of those 601 recipients illegally sold some or all of their benefits to the store owners for cash. Recipients who sold their benefits normally received 65 to 70 percent of the face value of the benefits in cash. We estimate the store owners defrauded FSP of approximately $122,000. The two owners have pled guilty to theft, conspiracy, and food stamp trafficking. To date, 100 of the 140 food stamp recipients have pled guilty. Judicial proceedings against the remaining recipients are continuing.

- The Federal Trade Commission took further action based on an earlier OIG investigation of bid rigging in the Women, Infants, and Children (WIC) program in Puerto Rico. As a result, two manufacturers of infant formula reached a settlement for unfair bidding practices. The charges against the manufacturers related to their bidding practices in the 1990 WIC contract to Puerto Rico to provide formula to more than 40,000 infants. Allegations that the manufacturers colluded on their bids to ensure that each would get a portion of the contract. Under the settlement, the two manufacturers agreed to provide USDA with 3.6 million pounds of infant formula as restitution. A third manufacturer is facing a hearing on similar charges.

FARMERS HOME ADMINISTRATION

In FY 1992, OIG issued 250 reports of investigation concerning FmHA programs and operations. Monetary results for FmHA exceeded $6.7 million and included over $5.7 million in recoveries/collections and $900,000 in restitutions. Examples of these cases are set forth below.

- An FmHA borrower was convicted of filing false statements with FmHA to obtain a writedown on over $540,000 in outstanding debt. The borrower, who had not made any payments to FmHA since 1985 on several disaster and operating loans, falsified her application for the writedown by reporting only $1,500 cash on hand and understating other assets. The investigation disclosed that the borrower had over $65,000 in savings and investment accounts. During a search of the borrower's residence, over $23,000 in cash, cashier's checks, and traveler's check receipts were discovered hidden under a bed. Furthermore, $34,000 in cash, several automobiles, some farm equipment, and other assets had been transferred to the borrower's mother in an attempt to keep FmHA from finding them.

- As the result of an OIG investigation, an engineer, his corporation, and one employee were charged in a 10-count indictment with conspiring to defraud the Government, making false statements, violating the Clean Water Act, and engaging in mail fraud. The investigation involved a $3.2 million FmHA-financed wastewater disposal project for a town in one State. The site the engineer selected as the effluent spray field was not suitable and would not have been approved by the State had the engineer reported the correct data showing the proximity of the groundwater table and of neighboring wells containing potable water. Also, the engineer had pipes, a culvert, and swales installed to drain runoff and effluent into nearby wetlands and Federal waters. The employee pled guilty to violating the Clean Water Act. The engineer pled guilty to violating the Clean Water Act, making false statements, and mail fraud. The corporation was ordered to pay restitution of $72,000 to FmHA and the town involved.

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AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

In FY 1992, OIG issued 93 reports of investigation for ASCS with monetary results totaling more than $19.6 million. Included in this amount were recoveries/collections of over $3.7 million, restitutions exceeding $2.6 million, costs avoided in excess of $800,000 and administrative penalties of $12.3 million. The following are some examples of these cases.

- As the result of an OIG investigation, a farmer pled guilty to making false claims to ASCS for 1989 cotton disaster payments. The farmer falsely identified the farms of origin of his harvested cotton, making it appear that his cotton crop was smaller than normal. The farmer claimed over $200,000 in 1989 disaster payments, but the scheme was discovered before the payments were made. The farmer did receive $75,000 in ASCS advance deficiency payments, but he was also found to be ineligible for these because he used improper planting patterns. As part of the plea agreement, the farmer repaid ASCS $83,000 for the advance payments and accrued interest. Had this scheme not been detected, the farmer would have received an additional $150,000 in FCIC indemnity payments.

- As the result of an OIG investigation, one farmer was sentenced to 21 months in prison and ordered to pay over $250,000 in restitution to CCC. The farmer admitted making false statements to obtain CCC loans by pledging grain that did not exist as loan collateral. The farmer had previously been convicted in Federal court of making false statements on a Farm Credit Administration loan application and had served 6 months in prison on that charge.

FOOD SAFETY AND INSPECTION SERVICE

In FY 1992, OIG issued 32 reports of investigation for FSIS. Monetary results, principally fines, exceeded $1.1 million. Examples of these cases are set forth below.

- As the result of a joint OIG/FSIS compliance investigation, a meat-processing firm and its former officials have been fined a total of $2 million for offering bribes to USDA inspectors, adulterating ham products with excessive water, and falsifying records during a 12-year period. The penalty is part of the largest combined fine ever recorded for violating the Federal Meat Inspection Act. In the last of a series of court actions dating to 1989, the former president of the firm was sentenced to 2 years in prison with all but 6 months suspended and a $500,000 fine. Two other officials of the firm were each previously sentenced to 6 months at a community treatment center and fined $250,000. The firm was fined $1 million. Four USDA inspectors were convicted of accepting bribes. The president and two other officials sold their interests in the company as part of a plea-bargaining agreement.

- A Federal judge imposed a $71,660 fine on a company after firm officials pled guilty to felony charges of selling adulterated meat. Our investigation, conducted jointly with FSIS compliance officers, found that the company mixed lamb fat and trimmings into ground meat and misrepresented the product as 100-percent beef. A total of 216,000 pounds of this adulterated product was sold to retail establishments. In addition to the company's fine, the two owners were fined $5,000 each.

FEDERAL CROP INSURANCE CORPORATION

In FY 1992, OIG issued 31 reports of investigation for FCIC with monetary results in excess of $900,000. Included in this amount were over $50,000 in fines, over $270,000 in restitutions, and almost $500,000 in costs avoided. The following is an example of one of these cases.

- The owner of a crop insurance firm in one State, who at one time was an employee of FCIC, pled guilty to conspiring to defraud FCIC. Our investigation found that the owner submitted approximately $156,000 in false crop insurance claims and received approximately $29,000 in kickbacks from an insured farmer who conspired with him in the schemes.

FOREIGN AGRICULTURAL SERVICE

In FY 1992, OIG issued six reports of investigation for FAS with monetary results in excess of $11.2 million. Included in this amount were over $6.6 million in restitutions, almost $2.8 million in recoveries/collections and over $1.7 million in avoided costs. An example of one of these cases is set forth below.

- A U.S.-based trading company was sentenced to making false statements to FAS. The trading company caused FAS's export credit guarantees to be inflated by including "after sales services" payments in the port value of the export credit sale. (Port value is the total value of the export credit sale less any discounts or allowances; FAS bases its guarantee on port value.) The "after sales services" payments were provided to an agency of the Government of Iraq, which has now defaulted on its payments for the sales. The trading company was sentenced to pay $8.3 million in restitution which represents the amount of guarantees containing the "after sales services." The trading company was also fined $10,000, the maximum under the law. A division of the trading company and three individuals responsible for authorizing the "after sales services" payments were debarred from Government programs for up to 3 years.

## OFFICE OF THE INSPECTOR GENERAL

### Passenger Motor Vehicles

The Fiscal Year 1994 Budget Estimate does not include the purchase of additional passenger vehicles.

The Office of Inspector General (OIG) owns 20 vehicles (16 vans, 2 small trucks, and 2 sedans). This figure includes a sedan and pickup truck which were seized and forfeited to the Government as the result of OIG investigations. Two vans were purchased and are being outfitted for surveillance purposes. The agency utilizes these vehicles for law enforcement activities during undercover operations to obtain evidence for prosecutions. OIG has installed specialized law enforcement equipment such as radios, cameras, and video equipment in these surveillance vehicles. Examples of these investigations include the controlled exchange of USDA Food Coupons for cash or contraband and observing and photographing meat plant slaughtering and selling dead or adulterated livestock to the public. OIG must have such operational capabilities and equipment to fulfill the statutory criminal investigative responsibilities specified in the Inspector General Act of 1978 and other related Congressional Acts.

Age and mileage data for passenger carrying vehicles on hand as of September 30, 1992 is listed below. No requests for additional vehicles are anticipated. These figures do not include vehicles leased from GSA or commercially leased under GSA approved contracts.

| | Age Data | | Mileage Data | | |
|---|---|---|---|---|---|
| Age-Year of Model | Number of Vehicles | % of Total | Lifetime Mileage (thousands) | Number of Vehicles | % of Total |
| 1988 | 2 | 100 | 80-100 | 1 | 50 |
| | | | 60-80 | 0 | 0 |
| | | | 40-60 | 1 | 50 |
| | | | | 2 | 100% |

TUESDAY, FEBRUARY 16, 1993.

## GENERAL AGRICULTURAL OUTLOOK

### WITNESSES

KEITH COLLINS, ACTING ASSISTANT SECRETARY FOR ECONOMICS, DEPARTMENT OF AGRICULTURE
JAMES DONALD, CHAIRMAN, WORLD AGRICULTURAL OUTLOOK BOARD
JOHN LEE, ADMINISTRATOR, ECONOMIC RESEARCH SERVICE
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

### OPENING STATEMENT

Mr. DURBIN. Good afternoon. Welcome to the first session before the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, in this Congress.

We are going to have a series of hearings inviting people from the USDA, FDA and other agencies within our jurisdiction. We will also invite other folks from time to time to talk about some of the issues that will be confronting us in drawing up this year's appropriations bill.

I am happy to be joined today by my colleague and the Minority Leader on this Subcommittee, Congressman Joe Skeen of New Mexico. So, I am looking forward to working with you.

Mr. SKEEN. Always a pleasure to work with you, as long as you agree with me. [laughter]

Mr. DURBIN. And the gentleman from Arkansas, Ray Thornton. We all want to be your friend, Ray. And Congresswoman Rosa DeLauro from Connecticut, we are happy to have her join us.

The first testimony today will be on a subject which is appropriate, the general agricultural outlook. And we are joined by Acting Assistant Secretary for Economics at the Department of Agriculture, Keith Collins; Jim Donald, Chairman of the World Agricultural Outlook Board; John Lee, Administrator of the Economic Research Service; and the long-suffering and indefatigable Budget Officer at the Department of Agriculture, Steve Dewhurst.

Mr. Collins, welcome to the Subcommittee. I see we are joined by the Congressman from Arizona, Mr. Pastor.

We just got word from Mr. Walsh, a new Member of the Subcommittee, he is snowed-in in Syracuse.

At this point in the record we will insert Mr. Collins' biographical sketch.

[The biographical sketch follows:]

### BIOGRAPHY OF KEITH J. COLLINS

Mr. Collins is Acting Assistant Secretary for Economics and Director, Economic Analysis Staff, U.S. Department of Agriculture (USDA). The Economic Analysis

Staff is responsible for economic analysis of farm programs, regulations, and legislative proposals. He was previously a Deputy Division Director in the Economic Research Service, USDA. Mr. Collins, a member of the Senior Executive Service, received the Presidential Rank Award in 1990.

Mr. Collins, a native of Connecticut, holds degrees from Villanova University and the University of Connecticut and a Ph.D. in economics and statistics from North Carolina State University. He has been employed by USDA for 16 years.

Mr. COLLINS. Thank you very much, Mr. Chairman.

Mr. DURBIN. Mr. Myers of Indiana has just joined us. He has a farm which is the subject of most of our hearings. If there is a drought anywhere in America, it hits his farm first.

Mr. MYERS. How to raise rice in Indiana, and once in a while it is converted over to dryland rice.

Mr. DURBIN. It is a permanent disaster.

Mr. Collins, proceed.

Mr. COLLINS. Thank you.

STATEMENT OF THE ACTING ASSISTANT SECRETARY

Mr. Chairman, Members of the committee, I have provided a statement. Attached to it is a 75-page statistical appendix which we have traditionally provided the committee each year. That includes forecasts approved by our World Agricultural Outlook Board and a range of economic and market indicators that are prepared in the Economic Research Service.

I would like your permission to submit that for the record and just briefly review my testimony.

Mr. DURBIN. Without objection, it will be added to the record. We appreciate your summation.

[CLERK'S NOTE.—The prepared statement appears on pages 299 through 315 and the statistical appendix appears on pages 316 through 393.]

Mr. COLLINS. I hope that will be a useful reference for you as you go down this difficult path over the next several months involved with resource allocation within the USDA.

I have also provided each of you with a short package which has some State facts related to your State. Again, those come out of our outlook program. It provides some information on debts, assets and so on for each of your respective States.

At this point I would also like to ensure that you are aware that we are happy to help you in any way. If you desire additional information on the agricultural economy, if there is anything we can do for you, please let me know or have your staff give us a call and we will be happy to do whatever analysis you desire.

AGRICULTURAL ECONOMY

I would like to open with a brief definitional point about the agricultural economy. Sometimes we hear that agriculture in America is pretty small, and sometimes we hear that in the context of the size of the USDA. Indeed, I can make that case by looking at a number of statistics. If you look at the gross domestic product that originates on farms, if you look at farm employment, farm population, farm debt, farm investment and farm payments, any of those things as a percent of the national total, the total GDP or the total

Federal expenditure of the government, any of those items I mentioned is less than 2 percent of the national total.

And so you can make a case from those statistics that agriculture is small. But I would say that those statistics mischaracterize the scope of U.S. agriculture, and in fact the obligations of the Department of Agriculture. When you look at farm supply industries, the industries that supply our farms, the food processing industries, merchandising, retailing, wholesaling, if you put all of those together in what we call the food and fiber system, you get a different picture of American agriculture.

Today, the food and fiber system accounts for about 16 percent of the nation's gross domestic product, 17 percent of our employment, in fact our farm exports alone account for over 800,000 jobs in America. Farm exports account for 12 percent of total U.S. exports of everything. And the food and fiber expenditures of consumers account for 17 percent of all of their expenditures.

So having five new Members on your committee, I thought it might be helpful to open today with this scope of the American agricultural economy. I think it will help provide some perspective on the outlook itself.

With that, I would like to turn to the outlook for American agriculture and focus on just five areas that are profiled in this large package that I sent you.

The five areas would be the overall economy; agricultural exports; commodity markets themselves; farm income and balance sheet data; and lastly, some farm program developments.

### OVERALL ECONOMY

Let me start with the overall economy. If we look at gross domestic product, the growth of the economy in 1993, we think that that will exceed 1992's growth, which was 2.1 percent. This year may exceed last year by about a percentage point. That will increase farm product demand for products like milk and meat. At the same time, because of excess capacity, we think inflation will remain low, and interest rates will remain low.

Farm interest rates by some measures are right now at about a 30-year low, and that has been very important to keeping the cost side down, the competitive side of agriculture. Interest expenditures this year by farmers will be less than $14 billion. That is down $1 to $2 billion from two years ago. It is down $6 billion from the mid-1980s. So fiscal policy and monetary policy are very important to the cost side of American agriculture.

Although the rural economy continues to have lower incomes than the urban economy and the poverty rates are higher in rural America, there is an economic recovery that is happening faster there than in urban America. The unemployment rate in rural America is below the urban rate.

Now, that first happened in 1992. The previous time that happened was in 1979. So that is a fairly unusual development.

The employment growth from late 1991 to late 1992, that is our most recent data, in rural America was 3.1 percent. In urban America it was only .2 percent. So something is going on in the

rural economy, and for the first time after a recession we are getting a faster bounce in rural America than in urban.

### AGRICULTURAL EXPORTS

Let me turn to the second area I wanted to mention, and that is agricultural exports which of course have been and continue to be a driving force in agriculture well-being. This year, fiscal year 1993, we project agricultural exports at $41.5 billion. That is down about $800 million from last year. The drop will not be in volume. Volume will be about the same. The drop will be in value, primarily value of grains, value of oilseeds, value of cotton.

For the eighth straight year the high-value product exports will increase, and for the third straight year high-value product exports will exceed bulk exports.

One concern we have in the export outlook is weak economic growth in foreign developed economies. The rate of growth in the European Community this year may be only about a half a percent. The rate of growth in Japan, roughly 2 to 2½ percent, which is below its trend growth rate. Those slow growth rates could restrain our farm sales, particularly for high-value products, and also affect the economic recovery that is going on right now.

A second concern we have relates to the former Soviet Union. The former Soviet Union nations have accounted for about 20 percent of our grain exports over the last five years. But they are in great turmoil, as you know.

In 1992, the gross domestic product in Russia fell 20 percent. The inflation rate for the year was about 1,500 percent. It is now running at an annual rate of well over 2,000 percent.

Their arrearages under our GSM program continue to mount. They now exceed $300 million. Everyone looks toward the Paris Club reschedulings. However, we don't know the timing of that. Moreover, the effect is unclear.

There is longer term promise for export growth through the NAFTA and GATT agreements. Greater market access and stronger economic growth that would come from those agreements we believe would expand exports over the long term.

We looked at the NAFTA agreement. We have looked at a GATT agreement along the lines of the November 20th Blair House agreement. Under both of those, we think U.S. exports would be up several billion dollars annually after implementation.

### COMMODITY MARKETS

Turning to the third area I wanted to cover, commodity markets, despite fears last season from first El Nino, later Mount Pinatubo, the current outlook right now is dominated by the record high yields we had for soybeans, for coarse grains, and the near record yields for wheat and cotton for 1992.

For grains, global production is up this season. World trade is down. If you look across the board our export share of wheat, coarse grains and soybeans are all up, and fairly sharply. That is primarily because of reduced production in our competitor nations and some problems with quality such as wheat in Canada.

For wheat, the domestic market continues very tight. Prices this season will average about 35 cents a bushel higher than last season. Our carryover stocks on June 1st will be about 500 million bushels. If you follow stock data, you know that is a historically tight level of carryover stocks. Consequently, we have reduced the acreage reduction program to zero percent for 1993. That will mean more production next year. That will mean higher stocks and a little bit lower prices for wheat for the 1993–1994 season.

For corn, carryover corn stocks will double. The prices will average about 35 cents a bushel lower this year. For 1993, reflecting the huge crop we had in corn, we raised the acreage reduction program to 10 percent. That will bring down production, assuming a normal yield. That will bring down stocks, but probably only fairly modestly, not enough to have more than a moderate effect on corn prices in the 1993–94 season.

For oilseeds, we had the second largest crop of soybeans ever. There was reduced early season competition because of low supplies in Brazil, and the European Community came back into the oilseeds market and bought more oilseeds from us. As a result, soybean exports are expected to be up 9 percent this year.

Despite that increase, soybean stocks will still rise. Prices for the year will be somewhere between 5 and 20 cents a bushel lower than last year's prices.

For cotton, we have faced a stagnant world market. There is a lot of cotton in the rest of the world. Increased exports from China and the former Soviet Union have reduced our exports.

The bright spot has been domestic use. If you look across all the commodity markets, meat and crops, you see domestic use has been a bright spot. It has grown quite strongly over the last several years.

For cotton, domestic cotton mill use is running at the highest rate since the 1950s. For 1993, the acreage reduction program has been reduced to 7½ percent and we expect increases in both production and use next year.

Turning to fruits, nuts and vegetables, farm sales are expected to rise modestly, about 2 percent this coming year so that total sales will be about $22.5 billion.

Last year we got a large kick in horticultural markets from exports, which were up 14 percent. This year we expect they will be up again but by a much smaller amount.

Briefly, let me run down livestock developments. Meat production in 1993 is expected to be up 3 percent. That will be record production, a little slower than last year's growth.

The Nation's cattle herd continues to rise for the fourth or fifth year running. We took a survey of feedlots as of January 1st, and cattle on feed in the Nation's feedlots was the highest level since 1979.

As a result of that, we expect about 2 percent more beef production this year and a little lower beef prices.

For pork, lower returns will reduce the rate of increase in pork production which last year was very large, 8 percent. This year we think it might be half that. But that increase is still going to be enough to keep hog prices in the low $40 per hundred weight.

For poultry, production increases are also likely to slow but with large meat supplies across the board, beef, pork and poultry, wholesale poultry prices will probably remain in the low 50 cents per pound.

Milk surpluses will decline a little this season. Commercial use will probably exceed production. But even so, we had high prices last year; $13.26 a hundred weight was the average all-milk price. This year prices will be a little lower than that.

FARM INCOME AND BALANCE SHEET

Let me turn to the fourth of the five areas I wanted to mention, which is the income and balance sheet for agriculture as a whole in 1993. Net cash farm income is projected at $58 to $64 billion. Last year it was $60 billion.

On the receipt side for agriculture as a whole, livestock receipts will fall. Crop receipts will remain about the same. Government payments will go up, jump sharply, probably 10 percent or more. So we will be a little bit higher on the receipt side.

On the expenses side, there will be about a 1 percent increase in expenses. Acreage planted should be down a little but prices for inputs paid should be up a little. The end result is a picture of farm income not a lot different than 1992; in fact, not a lot different than the last couple of years.

Reflecting this stability in overall income we see little change in assets and little change in farm debts as a whole.

Our Economic Research Service does a financial conditions assessment of farm households annually. We survey 21,000 farm households every January and February. Our most recent survey is from January and February 1992. And at that time, we had 4.6 percent of the Nation's farms classified as vulnerable to bankruptcy. That means they had high debt-to-asset ratios, and in fact their gross farm incomes were below expenses.

That compares with about 10 percent in 1986, which was the vulnerability peak since we started keeping that data. Despite the halving of the vulnerability rate, we know that we have in America somewhere in the neighborhood of 200,000 farms that are limited opportunity farms, high debts, low level of assets, low levels of income, and that for those farms, their future economic viability is problematical.

FARM PROGRAM DEVELOPMENTS

The last area I wanted to mention is farm program performance. Farm programs are working as envisioned by the 1990 Farm and Budget Acts. They are helping to maintain competitiveness. They are providing flexibility in production. We know about 8 million crop base acres shifted to alternative crops under the flexibility provisions last year. Farm programs are maintaining income support as reflected in higher farm program outlays this year.

We are projecting farm program costs of $17 billion in fiscal year 1993. That increase is due to higher feed grain program costs, higher cotton program costs, and higher export subsidy program costs. But a sharp decline is expected in fiscal year 1994.

That completes the points that I wanted to cover. I think, in summary, we see a stronger U.S. economy in 1993, some risks from slow foreign developed country growth and some risks from the former Soviet Union purchasing problems.

Farm income will remain about the same as it has been over the 1990 through 1992 period. Farm prices may drop for a number of the major commodities. But production costs are likely to remain fairly stable.

For 1993–94, production is likely to decline and acreage idle under government programs will rise a little. That will help reduce some of the stock increases that we are seeing this year.

For consumers, food prices may rise a little faster than they did in 1992 but that wouldn't be a concern because in 1992 the CPI for food was the lowest it has been in 25 years.

That completes my comments, Mr. Chairman. I would be happy to try and answer any questions you or the other Members may have.

RUSSIAN DEBT

Mr. Durbin. Thank you.

I would like to broach the initial question, because it is one that many of us are concerned about. So I would like to open this up with the first question. Then I will allow every Member to ask what is on his or her mind. The first question, of course, concerns the Russian debt situation.

Mr. Skeen of New Mexico first raised this in a meeting a week or two ago and it was a very timely issue. We are concerned that if Russia stops buying U.S. grain because of their inability to obtain credit, it could increase the subsidy payments paid by our government to our producers because of further decline in the prices that you have referred to.

Can you give us any kind of analysis, from your point of view, of the impact of our failure to follow through with the Russian grain sales on our cost that you've already identified as being $17 billion in this fiscal year?

Mr. Collins. Sure, I would be happy to try. As we look at the current market, there is no question that the former Soviet Union is a critical buyer of our commodities. Without that market we would have higher stocks, lower prices, lower farm income, and higher government payments.

I think as we look at costs, we have to look at that over a two-year period. Most of our farm program payments have been made on the 1992 crops. The only possible payment we would have remaining, other than loan outlays, would be if corn prices got so low we would have a so-called Finley payment after 12 months. At the moment I certainly don't foresee that.

If we don't resume sales during the current marketing year, the biggest effect would probably be on feed grains. We have shipped close to what we thought we might ship for wheat. Of course, the wheat market year ends at the end of May. The current corn marketing year goes on through to September. So there would be higher carryover stocks going into the 1993 seasons.

If we were not to resume sales to the former Soviet Union, the effect would really depend on what they did to be able to quantify that. If, for example, they bought nothing, the effect would be much more disastrous on us than if they were to buy not from us but from other suppliers. And in fact some of the other suppliers, as you well know, are rapidly moving toward providing additional grains to the former Soviet Union. The E.C. and the French are very close to resuming shipments to the former Soviet Union.

A kind of a worst-case event would be if the former Soviet Union were not able to service their debts around the world and were to be cut off by us as well as other countries. We normally might expect, as you look out next year, to export somewhere between 12 to 15 million tons of grain to the former Soviet Union. If we were not to make those exports, if we were to lose that entire amount, the effect on market prices would be quite substantial, and I would think that deficiency payments would rise anywhere from $600 to $700 million to $1.3 to $1.4 billion on the 1993 crops, if we lost that amount of exports. That assumes we couldn't make that up in other markets around the world.

Mr. Durbin. So we are dealing with about a $400 million grain sale outstanding, and the potential exposure if that falls through and we can't find other markets. Deficiency payments supported by taxpayers could rise as high as $1.3 or $1.4 billion?

Mr. Collins. I think that is the deficiency payment exposure. The $400 million, I am not sure what that is.

### U.S. GRAIN PRICES

Mr. Durbin. U.S. grain prices have been slipping because of concerns about Russia's debt and the suspension of the credit program. If the credit program is not reinstated or a program that would allow the movement of a similar quantity of grain to the Former Soviet Union, what impact do you think this might have on grain prices during the remainder of fiscal year 1993 and fiscal year 1994?

Mr. Collins. The market price effects of no further U.S. exports to the FSU depend on the extent to which other U.S. export programs are used to offset export sales with credits. For example, larger donations could be used to make up a portion of sales that would otherwise be made with credits. Another factor is the extent to which the FSU increases purchases of grain from other countries in the absence of additional U.S. exports. The impact on world grain prices will be less if the FSU purchases larger amounts from other countries. This is because total world trade would fall by less than the drop in U.S. exports to the FSU. Thus, a wide range of outcomes are possible. We estimate that no additional exports to the FSU could lower corn prices by $0.10–$0.20 per bushel and wheat prices by $0.20–$0.45 per bushel during the remainder of fiscal year 1993 and in fiscal year 1994.

### FRENCH CREDIT GUARANTEE

Mr. Durbin. The end of January six French banks signed a credit guarantee to cover the purchase of 2.5 million tons of grain by Russia. To what extent is the French Government guaranteeing

these loans, or if there is no guarantee, to what extent is the French Government involved in this transaction? How are the French banks able to make the sale without some type of government guarantee?

Mr. COLLINS. The French credit program under which these banks signed credit guarantees was most likely linked to COFACE. COFACE is a semiprivate company for international trade insurance, which the French Government controls through majority ownership of its shares. Financing through COFACE is arranged through a two-step process. First, the Government signs a protocol agreement with the foreign government listing terms and conditions under which credit coverage for the transaction will be granted. Second, a bank, or banks, in the importing country signs a financial accord with a committee of French banks providing in greater detail the terms under which the French banks will participate. The agreement to which you refer to in your question is most likely this second agreement, signed by the French banks subsequent to a French Government pledge for coverage.

This credit program is not operational as of February 24, 1993. Contracts for the 2.5 million tons of grain—2 million tons wheat, 300,000 tons barley, and 200,000 tons rye—are rumored to have been made.

Mr. DURBIN. Was the recent sale of 2.5 million tons of French grain to Russia a traditional market sale or were they attempting to use the uncertainties created by the suspension of the U.S. credit program to dispose of surplus stocks of wheat?

Mr. COLLINS. France's credit COFACE program is not as transparent as the United States' GSM-102 program; therefore, French motivations are unclear. Our best available information shows that the last French wheat sale supported by COFACE was shipped in December, exhausting available credit. Therefore, now would be an appropriate time for the French to renew COFACE. It is certain, however, that the current lack of GSM-102 credit from the United States makes French credit all the more attractive if available.

Mr. DURBIN. Do we have any idea what the terms were on the French sale or what subsidies were involved?

Mr. COLLINS. Usually COFACE credit arrangements cover 95 to 97 percent of the loan principal for up to 3 years. The most recent COFACE program to Russia, when fully operational, will probably cover freight costs and some interest as well. Subsidies for French wheat to Russia, as well as any other export destinations for EC members' wheat, are handled through the Common Agricultural Policy of the European Commission. For export to Russia, the Commission awards, restitution prices, were sufficient to reduce French wheat down to a reported price of U.S. $159.50 per ton C&F.

Mr. DURBIN. Aside from bulk grains, what high-value products have Russia and the Former Soviet Bloc countries been buying from the United States?

Mr. COLLINS. I will submit a table showing recent U.S. exports to Eastern Europe and the former Soviet Union.

[The information follows:]

U.S. AGRICULTURAL EXPORTS TO EASTERN EUROPE AND THE FORMER SOVIET UNION

[In thousands of dollars]

| | 1991 | 1992 |
|---|---|---|
| Eastern Europe: | | |
| Total | 234,449 | 317,431 |
| Bulk | 151,643 | 128,367 |
| High-value | 82,806 | 189,064 |
| Poultry meat | 3,359 | 37,441 |
| Dairy | 18,517 | 75,174 |
| Seeds | 29,288 | 4,296 |
| Soybean meal | 0 | 16,196 |
| Former Soviet Union: | | |
| Total | 2,495,338 | 2,345,722 |
| Bulk | 1,820,837 | 1,706,602 |
| High-value | 674,501 | 639,120 |
| Poultry meat | 65,301 | 16,323 |
| Dairy | 1,490 | 128,510 |
| Animal fats | 5,205 | 23,021 |
| Vegetables | 2,282 | 22,710 |
| Almonds | 9,005 | 2,911 |
| Soybean meal | 499,803 | 309,000 |
| Vegetable oil | 3 | 71,955 |
| Sugar | 13,562 | 8,918 |

Source.—Economic Research Service, USDA.

BARTER

Mr. DURBIN. It has been suggested that if credit guarantees are not available to the Russians, then there might be opportunities for barter. The Charter of the Commodity Credit Corporation contains extensive barter authority. To what extent has the opportunity for barter been explored?

Mr. COLLINS. Several of the republics possess raw materials which can be used to pay for U.S. agricultural commodities through countertrade or barter agreements with U.S. exporters. The breakdown of interrepublic trade is forcing many FSU nations to look to the world market for alternative sources of agricultural products, especially grain. Because these nations possess very little hard currency and are unable to use the ruble to pay for imports, the use of barter and countertrade for many of the FSU republics is an attractive alternative. For example, the Russian Federation is well endowed with oil, coal, minerals, steel, gas, and ferrous metals. Many of the Central Asian nations, such as Uzbekistan and Turkmenistan, produce cotton in addition to oil and gas. I will provide additional information for the record.

[The information follows:]

The use of barter and countertrade to facilitate the sale of U.S. agricultural goods is already being developed given the current difficulties the FSU nations have with debt repayment and hard currency constraints. Additionally, the use of barter and countertrade helps to increase the level of economic decentralization in the FSU, thus promoting regional development and decreasing the role of the State in economic decision-making. However, it should be noted that while barter trade is increasing as a share of total agricultural trade with the FSU as a whole, the likelihood that it could greatly increase is small. The obvious limitation to increasing barter trade is that the FSU nations would rather receive hard currency (needed for

debt servicing and investment) for their resources. Additionally, production may not always be sufficient to allow for large exports to use for barter. Oil production and the extraction of other natural resources continues to decline as a result of insufficient investment and maintenance. The cotton producing regions of Central Asia are cutting back area sown to cotton for environmental reasons.

The U.S. Department of Agriculture has been working to promote countertrade sales of U.S. agricultural goods to the republics of the FSU-12 (this does not include the Baltic nations) through the use of the Export Enhancement Program (EEP) and related programs such as the Sunflowerseed Oil Assistance Program (SOAP) and the Dairy Export Incentive Program (DEIP). The first two programs are authorized by (EEP was authorized by the 1985 FSA) the Food, Agriculture, Conservation, and Trade Act of 1990 to permit USDA to use export bonuses through 1995 to make U.S. commodities more competitive in the world market. DEIP, which operates on a bid bonus system similar to EEP, was first authorized by the 1985 Farm Bill and continued in the 1990 Farm Bill which mandates its operation by the CCC through 1995.

In September 1992, USDA targeted 5.5 million tons of wheat for export to the FSU under EEP for the period ending June 30, 1993. Of this 5.5 million tons, 500,000 tons of wheat were targeted for sale through countertrade arrangements, allowing U.S. wheat exporters to sell wheat indirectly to FSU nations via third parties outside the FSU. These third parties are able to barter with FSU nations, purchasing raw materials and goods and using the hard currency to buy U.S. wheat for the trading partner. Other commodities covered by EEP invitations which permit countertrade include wheat flour, barley, rice, vegetable oil, and frozen pork. Around 10-30 percent of the total EEP initiative for these products is available for countertrade agreements. Fiscal 1993 SOAP initiatives, which cover the sale of sunflowerseed oil, total 80,000 tons. Allocations have also been made under the Dairy Export Enhancement Program for fiscal 1993.

USDA estimates that over 1.5 million metric tons of wheat have been sold to the FSU through EEP countertrade agreements. The largest purchaser of this grain is Uzbekistan, which is selling cotton to third party intermediaries to purchase U.S. wheat under the EEP invitation which provides for sales made through third party countertrade. The sale of U.S. wheat is the only area where countertrade arrangements are noticeable so far. However, sales of U.S. barley under this arrangement are expected in the near future. Also, a small amount of milk powder (37 metric tons) has been sold through countertrade under the DEIP.

### AUSTRALIAN WHEAT CROP

Mr. DURBIN. The Australians have suffered a significant loss to their wheat crop. What impact is this having on world prices?

Mr. COLLINS. Although wheat production is estimated at 15 million tons—40 percent above 1991/92—the Australian Wheat Board has reported that up to a third of the 1992/93 crop was weather damaged. Most of the damaged wheat will be downgraded to feed quality. Canada also has a large supply of lower quality wheat this season. Reduced supplies of high quality milling wheat are causing prices to rise. The export price for U.S. hard red winter has risen $15-$20 a ton since last fall.

### NORTH AMERICAN FREE TRADE AGREEMENT

Mr. DURBIN. What are the potential benefits for American agriculture of a North American Free Trade Agreement? On page 17 of your statement you say that NAFTA would boost annual U.S. agricultural exports by $2 billion. You might discuss that on both a regional and a commodity basis.

Mr. COLLINS. The agricultural trade agreement between the U.S. and Mexico will result in net gains for both countries. The agreement insures that the growth in U.S. agricultural exports to Mexico will continue due to greater market access in the future.

Mexico's population, 92 million, growing at an annual rate of 2 percent and becoming more urban, represents a significant market

for U.S. agricultural products. Improved economic activity resulting from the agreement will boost income one half to one percent annually and stimulate demand. In addition, Mexico's comparative advantages suggest it will continue to be a net importer of food and fiber. These points and greater market access assures continued opportunities for growth in U.S. agricultural exports.

The agreement will lead to efficiency gains in both Mexico and the U.S. as producers respond to market opportunities. U.S. agriculture will benefit from trade creation, slightly higher agricultural export prices, and increases in economic efficiency and productivity gains. Because the Mexican share of U.S. farm exports and imports is relatively small, about 5–10 percent, and because the trade barriers in general are already relatively small between the two countries, the total quantitative effects of the free trade agreement on U.S. agriculture will also be limited.

The main U.S. farm exports to Mexico in 1991 were feed grains, $739 million, oilseeds $524 million, meat $415 million, live animals $184 million, hides and skins $137 million, poultry $131 million, and dairy products $121 million. Mexico is also a significant market for the following farm commodities: sugar $184 million, pulses $104 million, seeds $87 million, nuts $26 million, and apples $12 million. By the end of the transition period, an additional $2.0 to $2.5 billion per year of added exports to Mexico are expected. Grains and meats are estimated to account for the majority of the expansion in U.S. agricultural exports.

By the end of the transition period, annual U.S. agriculture cash receipts are expected to increase by about 3 percent. More trade will also expand employment in related areas of processing, transportation, and marketing. In addition, our analysis indicates that imports from Mexico will be about $0.5 to $0.6 billion higher. Winter fruits and vegetables will constitute most of that increase.

Consumers in the U.S. and Mexico will both benefit from a free trade agreement because of lower consumer prices, reduced tariffs and increased supply, and a greater selection of goods.

I will submit additional information on a commodity-by-commodity basis for the record.

[The information follows:]

Wheat: The United States is a major supplier of wheat to Mexico. Mexico's imports have been variable, and are equal to about 2 percent of U.S. wheat exports. NAFTA will increase Mexican incomes leading to growth in wheat demand over the long run. The agreement is expected to increase U.S. wheat exports to Mexico by about 20 percent by the end of the transition period and to lead to slightly higher U.S. wheat prices.

Coarse grains: The United States is a major exporter of coarse grains to Mexico, but imports are limited by tariffs and licenses. NAFTA assures the United States a 2.5 million metric ton duty-free quota for corn that will increase by 3 percent each year. Mexico's 215 percent over-quota tariff for corn will be phased out over the 15-year transition period. Tariffs on other coarse grains will be reduced at more rapid rates and imports will expand accordingly. By the end of the transition period, annual U.S. corn exports are expected to be 60 percent higher than otherwise and industry revenues for corn and sorghum will likely increase by about $450-$500 million due to the NAFTA.

Rice: The United States is the major exporter of rice to Mexico and the U.S. rice industry will benefit from expanded trade under NAFTA. Mexican rice tariffs will be reduced to zero over a 10-year transition period under the NAFTA. U.S. rice prices and exports will be greater than without a NAFTA. By the end of the transi-

tion period, U.S. rice exports will likely increase 10 to 20 percent and revenues will increase about $10 to $20 million.

Oilseeds: The United States is also the major exporter of oilseeds to Mexico and NAFTA will benefit the U.S. oilseed industry. U.S. exports to Mexico should increase moderately because of NAFTA. Under NAFTA, higher prices and production are expected to add $400–$500 million to U.S. soybean industry revenues by the end of the transition period.

Cotton: U.S. cotton exports to Mexico are expected to increase under NAFTA. NAFTA will gradually remove all import barriers between the countries. Income growth and textile trade opportunities under NAFTA are likely to increase Mexican cotton textile production and demand. The United States, the world's largest cotton exporter and close by, is likely to be the major supplier of the increase in Mexican cotton mill demand.

Seeds: Benefits for the seed industry under NAFTA will depend on Mexico's changing production patterns and reduction in trade barriers. With the NAFTA, most U.S. seed exports will enter Mexico duty-free immediately.

Sugar: Under NAFTA, the United States and Mexico will gradually reduce barriers to sugar trade between the two countries and harmonize border protection with the rest of the world. During the 15-year transition period, any additional access to the U.S. market beyond Mexico's current 7,258 metric ton quota will be conditioned on Mexico becoming a net surplus producer of sugar. Mexico is currently a large net importer of sugar. The United States has exported substantial refined sugar to Mexico in recent years and the sugar re-export program will remain in place.

Peanuts: The United States will enhance its role as a major supplier peanuts to Mexico under the NAFTA. U.S. exports of peanuts to Mexico will likely increase in response to higher Mexican incomes. By the end of the transition period, U.S. exports to Mexico are expected to increase to about 19,000 metric tons, an 8-percent increase above levels expected in the absence of the NAFTA. Mexico has been a net importer of peanuts in the past and there is little reason to expect Mexico to become a significant supplier of peanuts to the United States.

Tobacco: The United States ships almost no tobacco to Mexico because of restrictive import tariffs and licenses. NAFTA is expected to increase U.S. exports by removing these restrictive barriers to U.S. exports and increasing Mexican incomes. U.S. and Mexican tariffs for tobacco will be phased out over the 10-year transition period.

Dry beans: Mexico has been an important market for the U.S. dry bean industry. Eliminating Mexican import licenses and phasing out tariffs under the NAFTA will expand U.S. exports to Mexico and result in somewhat higher U.S. dry bean prices.

Vegetables and melons: Under NAFTA, U.S. exports of some vegetables are expected to increase as trade barriers are reduced and income growth occurs in Mexico. In addition to the usual winter fresh vegetables. Mexico will supply a wider range of vegetables year round to the U.S. market. improved Mexican access to Canadian markets an the continued phase out of Canadian tariffs on U.S. exports will moderate the potential effect of phasing out U.S. tariffs for Mexico bilaterally.

Noncitrus fruit: U.S. fruit exports to Mexico have increased since 1986 reflecting Mexico's lower tariffs and a reduction in the number of commodities subject to licensing regulations. NAFTA is expected to further increase U.S. exports of peaches, pears, and apples by reducing barriers and stimulating income growth in Mexico. Mexican tariffs on pears, plums, and apricots will be phased out over 5 years, while tariffs on peaches and apples will be phased out over 10 years and the tariff on fresh strawberries will be eliminated immediately. The phase out of Canadian tariffs under the U.S.-Canada Free Trade Agreement will continue to help increase U.S. exports of some fruits.

Grapes: NAFTA is not expected to have a significant effect on the U.S. grape industry. Most of Mexico's fresh grape exports to the United States enter duty free. Exports of U.S. grapes to Mexico are expected to increase slightly due to the 10-year phase out of the Mexican tariff during the June 1 to October 14 period, a major harvesting season for U.S. fresh grapes.

Citrus: NAFTA will provide improved export opportunities for U.S. fresh oranges in Mexican markets, especially for high quality fruit in urban areas. U.S. tariff reductions for fresh oranges will be matched by Mexico. U.S. frozen concentrated orange juice (FCOJ) exports from Mexico will be subject to a tariff-rate quota and the over-quota tariff will be phased out over 15 years. U.S. imports of FCOJ are expected to increase 3 to 4 percent but increased exports from Mexico will come partly at the expense of other exporters, including Brazil. U.S. imports of fresh limes are expected to increase.

Tree nuts: U.S. exports of almonds, hazelnuts, pistachios, and walnuts are expected to increase under NAFTA. U.S. imports of Mexican pecans may increase. Under NAFTA, Mexican and U.S. tariffs on all major tree nuts will be eliminated immediately.

Greenhouse and nursery: NAFTA will have a relatively small effect on the U.S. greenhouse and nursery industry. Mexico has the potential to increase exports of nursery products to the United States. However, NAFTA only restores Mexico's competitive position relative to its major competitors, Colombia, Bolivia, Ecuador, and Peru.

Pork: Under NAFTA, U.S. exports of pork and hogs to Mexico are expected to double by the end of the transition period compared to no NAFTA. Export growth will result from the elimination of Mexican tariffs and increased growth in Mexican incomes. U.S. pork exports to Mexico, however, will remain small relative to U.S. pork production. By the end of the transition period, U.S. hog and pork prices will likely rise a little, adding $150–$200 million in revenue to the industry.

Beef: NAFTA is expected to increase trade in both live cattle and beef between the United States and Mexico. The U.S. Meat Import Law will no longer apply to Mexican beef exports to the United States. Due to the size of Mexican imports and exports relative to the U.S. market, NAFTA will have small effects on total U.S. cattle production and prices. By the end of the transition period, U.S. cattle prices will rise $0.50 to $1.00 per hundredweight which will create an added $200 to $400 million in revenue for the industry.

Dairy: The U.S. dairy industry will benefit from the NAFTA because Mexico's population and income growth are projected to outpace its dairy production growth for many years. Mexican imports of U.S. milk powder are expected to grow by about 20,000 metric tons by the end of the transition period due to the NAFTA. That is $36 million additional dairy export sales at current world prices. Other dairy product exports will also increase faster than without NAFTA. Exports of all dairy products under NAFTA could increase $200–$250 million. Dairy trade rules with respect to U.S.-Canada and Mexico-Canada are unchanged under the NAFTA.

Hides and skins: Under NAFTA, U.S. exports of hides and skins to Mexico are expected to increase gradually as a result of expected income gains from stronger economic growth and greater demand for higher quality leather products in Mexico. U.S. exports to Mexico were about 11 percent of the total U.S. export value of hides and skins during 1991. Nearly 90 percent of U.S. hides and skins moving into Mexico have no tariffs, so the removal of the 10 percent tariff on sheep, hog, and some other skins will be of modest benefit to the U.S. industry.

Poultry: Mexico has been a rapidly growing market for U.S. poultry despite high Mexican tariffs and import licensing. NAFTA is expected to increase U.S. exports of poultry and poultry products to Mexico. Higher Mexican incomes under NAFTA will likely stimulate additional sales of poultry products, but imports of lower-priced U.S. grain will help lower Mexican feed costs and boost poultry production.

Eggs: NAFTA is expected to increase U.S. egg exports to Mexico which has been a variable market for U.S. eggs. U.S. exports to Mexico increased nearly 40 percent between 1990 and 1991 despite import licensing. Higher Mexican incomes under NAFTA will likely stimulate additional demand for eggs. However, lower-priced U.S. grain imports will offset declines in Mexican producer prices for eggs and lead to increased egg production.

Sheep: Mexico has been a variable market for U.S. cull sheep breeding stock and mutton. NAFTA will likely increase U.S. exports to Mexico. Higher Mexican incomes under the NAFTA will likely stimulate additional demand for sheep meat, increasing the salvage value of cull sheep.

## NEGATIVE IMPACTS

Mr. DURBIN. What U.S. agricultural products will likely experience a negative effect? You might discuss that on both a regional and a commodity basis.

Mr. COLLINS. NAFTA is expected to provide economic incentives for continued expansion of Mexican production of some fruit and vegetable commodities for export to the United States such as winter fresh vegetables, frozen concentrated orange juice, fresh limes, mangoes, and melons. However, NAFTA would also result in market opportunities in Mexico for U.S. growers of temperate climate fruits such as apples, pears, and peaches, mostly located in

the Western United States. I will provide additional information for the record.

[The information follows:]

The Economic Research Service analyzed the implications of NAFTA on U.S. production, grower revenue, producer and consumer prices, and trade for 27 fruit and vegetable commodities. Estimated exports rise relative to imports for 8 of the commodities while imports rise relative to exports for the other 19.

For those fruit and vegetable commodities where imports are expected to rise relative to exports, the United States is estimated to import about an additional $200 million annually once the NAFTA is fully implemented. Commodities expected to be most affected include watermelons, frozen broccoli, frozen concentrated orange juice, fresh cauliflower, dry onions, and fresh pineapples.

For the commodities where exports are expected to rise relative to imports, the United States is estimated to export about an additional $85 million annually once the NAFTA is fully implemented. Commodities most affected include peaches, apples, sweet corn, and pears.

Under NAFTA, net cash returns from major field crops and livestock are projected to rise in nearly all of the 10 U.S. farm production regions. Under NAFTA, U.S. exports of feed and food grains, soybeans, cattle, pork, and dairy products are projected to rise. Grain and soybean prices are expected to rise somewhat due to larger exports. This will boost returns to crop farmers, but will mean slightly higher feed costs to livestock producers. Beef producers in regions with concentrated feeding activity—the Northern and Southern Plains, the Mountain region, and the Corn Belt—are expected to experience gains due to a rise in demand for fed animals for export to Mexico.

### INDUSTRY MOVING TO MEXICO

Mr. DURBIN: What segments of U.S. agribusiness might conceivably move to Mexico to take advantage of lower labor costs?

Mr. COLLINS: In spite of advantages in labor cost and other factors, a lot of Mexican agricultural production and trade is complementary to that of the United States. For example, the United States exports livestock products to Mexico while Mexico ships live animals to the United States. Mexico exports winter vegetables to the United States and we send vegetables to Mexico during the fall season. Because of advantages in low labor costs, Mexico is expected to gain in labor intensive commodities while the United States, with better technologies, infrastructure, marketing tools and networks, would gain in industries that rely heavily on those factors. I will provide additional information for the record.

[The information follows:]

In 1989, the United States accounted for about 63 percent of the total accumulated foreign direct investment in Mexico. In general, the United States invests in manufacturing, but last year 60 percent of the U.S. new investment was in services. Under NAFTA, the United States probably would invest more in services.

A common misconception is that U.S. food processors often find it attractive to close their U.S. plants and move production to Mexico where wage rates are lower. In fact this rarely happens. Almost all U.S.-owned food processing plants in Mexico sell their output in the Mexican market and other Latin American countries. Very little processed food is exported back to the United States from U.S.-owned facilities in Mexico. U.S. food processors invest in Mexican food processing plants primarily to serve the rapidly expanding Mexican and Latin American markets. These production facilities augment rather than replace their U.S. production facilities.

According to the latest data from the Bureau of Economic Analysis of the Department of Commerce, U.S.-owned food processing plants in Mexico has sales of $3.2 billion in 1990. Of this amount, only $74 million, or 2 percent of their sales, was exported back to the United States. This was 7 percent of the $1.1 billion of processed food the United States imported from Mexico in 1990.

Several large U.S. fruit and vegetable grower/shippers have developed contractual or joint venture operations in Mexico to diversify their sources of supply, spread risks, lengthen their growing season, and reduce costs.

Several U.S. grocery wholesalers and retailers such as Wal-Mart, Fleming, Ryboff-Sexton, Price Company, and Smart and Final are opening modern wholesale distribution centers, warehouse club stores, and supermarkets, often as joint ventures with Mexican firms. Many U.S. restaurant chains are rapidly expanding into Mexico. Kentucky Fried Chicken has over 70 outlets in Mexico; Domino's Pizza has 45 units; and McDonald's has over 35 units. At least 8 other U.S. chains are operating in Mexico.

FOOD PROCESSING PLANTS

Mr. DURBIN. What are some of the U.S. agribusinesses that now operate on a large scale in Mexico whose production is primarily destined for the U.S. market?

Mr. COLLINS. There are over 20 large food processing firms located in the United States that operate on a large scale in Mexico. Three of these firms are foreign-owned: A.E. Staley owned by Tate & Lyle; Pillsbury owned by Grand Metropolitan; and Central Soya owned by Gruppo Ferruzzi. These 23 large firms operate about 50 food and feed processing plants in Mexico. Over 95 percent of production from these plants is destined for the Mexican market or goes to export markets outside the United States. U.S. food processing firms operate plants in Mexico primarily to serve the rapidly growing Mexican market rather than to export to the United States.

Based on available information, only two of these firms operate food processing plants in Mexico whose production is primarily destined for the U.S. market. Campbell Soup owns two vegetable processing plants in Mexico as does Green Giant which is owned by Pillsbury. Both of these firms import substantial quantities of processed vegetable products primarily as ingredients for their U.S. operations.

None of the other firms apparently operate plants in Mexico whose production is primarily exported to the United States. These U.S. firms include Ralston Purina, CPC International, Pilgrim's Pride, Pepsi Co., Kellogg's, Tyson Foods, Quaker Oats, Coca-Cola, Universal Foods, McCormick, Philip Morris which own Kraft General Foods, Gerber, and Cargill.

GATT

Mr. DURBIN. Please describe for the Committee the latest developments in connection with GATT. On page 17 of your statement you state that a Uruguay Round Agreement, based on the Dunkel Text and the U.S.-EC Agreement reached in November, could increase U.S. farm exports by $4 billion per year. Please discuss how that might occur on a commodity basis and the impacts on a regional basis.

Mr. COLLINS. The U.S.-EC agreement reached in November 1992, which resolved differences on export subsidies and internal support, is an important step toward moving the Uruguay Round to completion but there remain important unresolved issues on market access.

A GATT agreement based on the Dunkel Text and the EC-U.S. agreement would benefit U.S. agriculture. Such a GATT agreement would increase market access, decrease trade-distortions from international support, and cut export subsidies. The agreement would cut the quantity of subsidized exports by 21 percent and the

budget outlays by 36 percent over the 6-year period from the 1986–90 base; result in comprehensive tariffication; reduce total internal support across commodities by 20 percent from the 1986–88 base period.

U.S. commodity programs would meet internal support commitments because total support across commodities as measured by the aggregate measure of support (AMS) is already well below the required 20 percent cut from the 1986–88 base period.

The GATT agreement would be expected to significantly increase U.S. agricultural exports and boost farm income. After the 6-year implementation period, annual U.S. agricultural exports are projected to increase by about $4 billion compared to expected levels without a GATT agreement. Major export increases would occur in grains partly because of less subsidized foreign exports and in animal products, fruits, vegetables, and other crops due to expanded market access. Grain exports would increase $2.0–$2.5 billion; meat, poultry, and eggs $.45–$.55 billion; tobacco $.25–$.35 billion; fruits and tree nuts $.25–$.40 billion; vegetables $.15–$.20 billion; and cotton $.25–$.35 billion. Gains for U.S. procedures would be spread broadly across both crop and livestock industries.

TRADING BLOCKS

Mr. DURBIN. If an agreement is not reached on GATT and the world resolves into various trading blocks, what impacts do you foresee with regard to U.S. agriculture?

Mr. COLLINS. The lack of a GATT agreement would result in a trade environment that could affect U.S. agriculture in a number of ways.

If regional trading blocks evolved, they could provide the EC, Australia, and Argentina with significant advantages over U.S. exporters in many Latin American, Asian, East European, and Russian markets. Regional trading blocks would tend to erect barriers to imports from exporters outside the region. The potential advantages to our competitors from regional trading blocks would be reduced by a GATT agreement that would reduce protection and improve market access for all exporters.

Even if regional trading blocks did not develop, the lack of a GATT agreement could result in increased protectionism that would choke off import demand growth with higher prices in the strong growth markets of East and South Asia and in Latin America. As countries reach mid-income levels and their agricultural sectors become relatively smaller but remain politically influential, political pressure mounts to support farmers, reduce imports, and save foreign exchange by raising domestic prices with border protection. Japan, Korea, and Taiwan followed such a path over the past 30 years. A GATT agreement would prevent that process from being repeated in the future in the rapidly growing developing countries which are key to future world trade growth. The lack of a GATT agreement to deter increasing protectionism could be more destructive to the future of U.S. agricultural exports than regional trading blocks.

Also without a GATT agreement, subsidized EC export competition could continue to undermine world grain and dairy markets

while subsidized production continued to displace traditional EC imports of cotton, tobacco, and oilseeds. Announced reforms of the EC's agricultural policy provide some hope but no guarantees of relief. New supply control measures and price supports remain discretionary and susceptible to the heavy-handed political pressure of EC farmers. Announced reforms do not include cotton, tobacco, fruits and vegetables, sugar, or dairy.

A GATT agreement could provide relief from ruinous subsidized export competition, opportunities for increased access to highly protected markets, and safeguards against the progressive closing of important growth markets. Without a GATT agreement, U.S. agriculture would not be able to rely as much on exports to market the continuously increasing surplus of U.S. production over domestic consumption.

### EFFECT ON TRADITIONAL MARKETS

Mr. DURBIN. How might our traditional markets be altered in this event?

Mr. COLLINS. Regional trading blocks could provide our agricultural competitors with important advantages in traditional U.S. markets. A Latin American trading block would favor Argentine wheat and corn and Brazilian soybeans in long traditional U.S. markets. An East Asian trading block including Australia could displace the United States from the important wheat and feed grain growth markets in that area that have been important U.S. markets. A larger European trading block could provide a captive market for EC grain in East Europe and the Former Soviet Union and possibly even in North Africa.

### LEADING EXPORT MARKETS

Mr. DURBIN. On page 21 of your statement you have a table showing exports by country for 1980 and 1992. How would 1992 compare with 1980 if it was expressed in 1980 dollars? Does this table reflect real growth in these markets or just inflation?

Mr. COLLINS. I am providing a table showing the relationship between the nominal and real values of exports. For some markets, including Canada and Mexico, inflation-adjusted exports increased between 1980 and 1992.

[The information follows:]

U.S. AGRICULTURAL EXPORTS: LEADING MARKETS, 1992

[In billions of dollars]

| | Fiscal 1980 | Fiscal 1992 (1980 dollars) | Fiscal 1992 (1992 dollars) |
|---|---|---|---|
| Country: | | | |
| Japan | 5.8 | 4.9 | 8.4 |
| Canada | 1.8 | 2.8 | 4.8 |
| Mexico | 2.0 | 2.2 | 3.7 |
| Former U.S.S.R | 1.5 | 1.6 | 2.7 |
| South Korea | 1.6 | 1.3 | 2.2 |
| Taiwan | 1.1 | 1.1 | 1.9 |
| Netherlands | 3.5 | 1.1 | 1.8 |
| Germany [1] | 1.9 | .6 | 1.1 |
| Spain | 1.5 | .6 | 1.0 |

U.S. AGRICULTURAL EXPORTS: LEADING MARKETS, 1992—Continued

[In billions of dollars]

| | Fiscal 1980 | Fiscal 1992 (1980 dollars) | Fiscal 1992 (1992 dollars) |
|---|---|---|---|
| United Kingdom | 1.0 | .5 | .9 |

[1] Includes East Germany in 1992.

Source: Economic Research Service, USDA.

## RURAL DEVELOPMENT

Mr. Durbin. We on this Committee, as well as Secretary Espy, are very interested in rural development and the rural economy. On page 16 of your statement you mention that 58 million acres are expected to be set aside or reduced under farm programs in 1993. Land out of production obviously impacts spending for feed, seed, fertilizer, fuel, and machinery. Has the Department studied the impact on the rural economy of having this much land out of production?

Mr. Collins. Land enrolled in the Conservation Reserve Program or CRP, accounts for about 60 percent of the expected acreage to be idled in 1993. ERS has studied the CRP and estimated that the national economic impacts of CRP enrollment were not large. However, for selected areas where enrollment in CRP was high, where economic dependence on farming was also high, and where high valued crops were being retired, local area impacts dampen economic activity significantly, particularly for input industries directly linked to farming such as those dealing in seed, fertilizer, machinery, etc. Such areas are most prevalent in the Plains, Western Corn Belt and in the Southeast. In the ERS local area impact study, areas with the highest impact on overall local economic activity were in the Corn Belt where retired cropland represented over 10 percent of all cropland, where the economy was highly dependent upon farming, and where the high value crops of corn and soybeans had been taken out of production. Estimates of local impacts of cropland retirement in these areas were in the range of 3 to 5 percent reduction in overall economic activity. Overall reduction in this range suggest significant impacts on business dealing with the farm sector, particularly farm input dealers.

## PRICE SUPPORT PROGRAMS

Mr. Durbin. For fiscal years 1992, 1993, and 1994, would you please provide for the record a table showing the CCC net outlays in connection with each of the various price support programs?

Mr. Collins. I am providing a table showing the CCC net outlays.

[The information follows:]

CCC NET OUTLAYS BY PROGRAMS

[In millions of dollars]

| Program | 1992 | 1993E | 1994E |
|---|---|---|---|
| Feed Grains: | | | |
| Corn | 2,105 | 5,250 | 3,180 |
| Sorghum | 190 | 423 | 274 |
| Barley | 174 | 185 | 103 |
| Oats | 32 | 17 | 6 |
| Corn and Oat Products | 9 | 8 | 10 |
| Total Feed Grains | 2,510 | 5,883 | 3,573 |
| Wheat and Products | 1,714 | 2,274 | 1,847 |
| Rice | 715 | 889 | 741 |
| Upland Cotton | 1,443 | 2,436 | 2,317 |
| Tobacco | 29 | −2 | −13 |
| Dairy | 232 | 145 | 230 |
| Soybeans | −29 | 41 | −40 |
| Peanuts | 41 | 33 | 1 |
| Sugar | −19 | −28 | −30 |
| Honey | 17 | 17 | 12 |
| Wool | 191 | 183 | 191 |
| Operating Expense [1] | 6 | 7 | 6 |
| Interest Expense | 532 | 194 | 154 |
| Export Programs [2] | 1,455 | 2,698 | 1,853 |
| Disaster | 1,054 | 1,226 | 0 |
| Other | −158 | 1,094 | 1,412 |
| Total | 9,738 | 17,090 | 12,255 |

[1] Does not include CCC transfers to General Sales Manager.

[2] Includes Export Guarantee Program, Direct Export Credit Program, CCC transfer to the General Sales Manager, Market Promotion Program, Export Enhancement Program, and Dairy Export Incentive Program.

E = Estimated in the FY 1994 Budget Baseline released January 1993.

## PRICE SUPPORT PROGRAMS

Mr. DURBIN. For fiscal year 1993 it is estimated that CCC net expenditures will be over $3 billion higher than fiscal year 1992 for corn. So that the record will be complete, you might discuss why this very large increase occurs.

Mr. COLLINS. The increase in CCC net expenditures in fiscal 1993 is related to the lower U.S. average corn price for the 1992 crop, which is causing higher deficiency payments and greater use of the nonrecourse loan program. The deficiency payment rate for the 1992 crop is larger by about 35 cents a bushel than for the 1991 crop. In addition, advance deficiency payments for the 1993 corn crop—paid in fiscal 1993—are larger than advance payments made in fiscal 1992. As a result, deficiency payments in fiscal 1993 are estimated at $4.4 billion, $2.3 billion larger than fiscal 1992. Because of lower prices, more corn is being placed under loan this year. Net loan outlays are estimated to be about $0.8 billion higher in fiscal year 1993.

Mr. DURBIN. An increase of approximately $1 billion is forecast for net expenditures in 1993 compared to 1992 for upland cotton. You might also describe what causes this very large increase.

Mr. COLLINS. Most of the increase in CCC net expenditures in fiscal 1993 is due to lower market prices for the 1992 crop. Deficiency payments, including loan deficiency payments, are estimated to be more than $600 million larger in fiscal year 1993, compared to

fiscal 1992. Net loan outlays in fiscal 1993 also are larger by more than $300 million.

Mr. DURBIN. Wheat products will increase by approximately $550 million over fiscal year 1992. Would you please describe the basis for this increase?

Mr. COLLINS. The estimated increase in CCC net expenditures for wheat and products is due largely to higher net loan outlays. Because of strong prices, loans repaid in fiscal 1992 exceeded loans made by about $135 million. However, in fiscal 1993, the reverse is true as loans made are expected to exceed repayments by about $255 million. Thus, net loan outlays are an estimated $390 million larger in fiscal 1993, compared to fiscal 1992. Advance deficiency payments are larger in fiscal 1993 than in fiscal 1992 because the price outlook is weaker than it was a year earlier. Deficiency payments, including advance payments, are an estimated $175 million larger in fiscal 1993.

COST OF EC FARM SUBSIDIES

Mr. DURBIN. What is the total estimated cost of EC farm subsidies for fiscal year 1992, and what is the projection for 1993? Explain the various component parts of this subsidy.

Mr. COLLINS. The EC allocated a record 35.039 billion ECU or $48.08 billion for spending on agricultural price and income support in 1992, up 13 percent from 1991. Final 1992 EC expenditures for farm support are not yet available, but are expected to be well below appropriations. Figures for the first 10 months of the 1992 budget year show that agricultural expenditures are running below target, despite the weakening of the dollar, which increases export refund costs, and overruns for several commodities. The EC Commission, the EC's administrative body, estimates that actual farm spending in 1992 will total 31.973 billion ECU or $43.9 billion, 9 percent under budget allocations, but nearly 1 billion ECU or $1.37 billion above the 1991 record.

A number of factors contributed to the increased appropriations for 1992 compared will actual spending in 1991. Appropriations for grains jumped 24 percent to 6.3 billion ECU or $8.6 billion, exceeding those for milk and milk products 5.7 billion ECU, or $7.8 billion for the first time. Funding was increased to cover the cost of storing record quantities of grain purchased by intervention agencies and to pay for expected increases in export refunds.

One of the largest increases is the 31-percent rise in appropriations in the oilseeds sector, from 3.5 to 4.7 billion ECU or $4.8-$6.4 billion. Most of the increase is due to the new oilseed program, which requires advance payment of compensation during the 1992 budget year.

Appropriations for 1992 for beef and veal are 8 percent above 1991 actual spending levels, but nearly double the 1991 appropriations level. Appropriations for 1992 were increased to cover higher anticipated costs for export refunds and storage aids.

The EC Budget Council has approved a 1993 total budget for the Community of 69.2 billion ECU or $95 billion, a 10 percent increase from the 1992 total budget. The agricultural budget is expected to account for 34.042 billion ECU or $46.7 billion in 1993, down 3 per-

cent from 1992 appropriations but 6.5 percent higher than current estimates of actual expenditures for 1992.

In addition to spending on agricultural price and income support, a large share of the total cost of supporting agriculture in the Community is paid by other EC programs, national governments, and consumers.

Outlays aimed at improving agricultural structures are covered under a separate section of the EC agricultural budget. For 1992, the EC allocated 2.6 billion ECU or $3.6 billion to pay projects funded under this section. Annual expenditures by individual member states to support agriculture are estimated at about 10 billion ECU or $13.7 billion by the Organization for Economic Cooperation and Development.

The heaviest burden to maintain the Common Agricultural Policy is placed on consumers. EC consumers pay higher food prices because the CAP maintains domestic prices for agricultural products well above world levels and restricts competitively priced imports. According to OECD estimates, transfers from consumers to the agricultural sector due to agricultural policies amounted to 67.7 billion ECU or $92.9 billion in 1991, the most recent year available), nearly 60 percent of the estimated total transfers to agriculture of 114.7 billion ECU or $157.4 billion. Support to EC agriculture from all sources exceeded that in the United States by nearly $69 billion in 1991, according to OECD estimates.

Total support to EC agriculture is approaching $160 billion, of which EC consumers pay about 60 percent of the cost. As a result, EC consumers spend 17.2 percent of their disposable income on food, compared with 11.5 percent in the United States.

I will submit additional information on EC support of agriculture for the record.

[The information follows:]

TABLE 1.—TOTAL SUPPORT ASSOCIATED WITH EC AGRICULTURAL POLICIES

[In billion ECU]

| | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|
| Support from taxpayers [1] | 37.7 | 37.7 | 42.9 | 47.6 |
| Support from consumers [2] | 64.7 | 55.0 | 66.8 | 67.7 |
| Budget revenues [3] | (.8) | (.8) | (.8) | (.5) |
| Total support | 102.2 | 91.9 | 108.9 | 114.7 |

[1] Includes both EC and member State expenditures.
[2] Defined as the implicit tax on consumers due to market price support including the effect of import tariffs, levies, quotas, and export subsidies.
[3] Estimated budget revenues arising from price policies.

Source: OECD estimates.

EC EXPORT PROGRAMS

Mr. DURBIN. What programs does the European Community operate that would be similar to U.S. export programs such as MPP, EEP, and GSM-102, and -103?

Mr. COLLINS. The EC operates a major program of export subsidies to alleviate commodity surpluses caused by the Common Agricultural Policy. While export credit programs are not specifically part of the CAP, the EC does occasionally provide export credit

guarantees on an ad hoc basis. However, some of the EC member states offer export credit guarantees for farm goods produced in their country. Export market promotion is usually conducted by producer organizations from EC member states.

I will supply information on each of these export promotion efforts for the record.

[The information follows:]

*Export Subsidies.*—In 1991, the EC spent about 10 billion European Currency Units ($14 billion) in export subsidies on a wide range of commodities. Expenditure on export subsidies for 1992 is expected to be at the same level. The EC calls these subsidies "export refunds," or "export restitutions," since the subsidies make up the difference between the higher internal EC price and the lower world price.

Unlike the U.S. EEP program, EC export subsidies do not target set quantities to specific countries. However, EC "standing refunds" do set the unit value of export subsidy for specific destinations. EC "open market refunds" are available to all destinations, and adjust the unit value of subsidy on a weekly basis according to the destination.

*Export Credits.*—Although the CAP does not feature export credit provisions, the EC occasionally offers credit packages out to its general budget. This is rare, however. In the last 2 years, the EC has extended two credit packages to the former Soviet Union: one of 500 million ECU in guaranteed credit for commercial food purchases; and the other of 1.25 billion ECU in credit for food and medicine. Cereals, sugar, and rice are among the products on the EC-approved list.

Certain EC member states guarantee export loans in support of agricultural products. Generally, these programs support agricultural as well as non-agricultural products, fulfilling many of the functions of the U.S. Export-Import Bank and Commodity Credit Corporation combined.

The most active is the French COFACE (Compagnie Francaise de l'Assurance pour le Commerce á l'Extérieur), a semi-private company controlled by the French government. COFACE provided credit for the sale of 1.9 million tons of wheat and 500,000 tons of barley to Russia in early 1992. Credit for a further sale of over 2 million tons of grain to Russia has been backed by COFACE. Other countries operating export credit guarantee programs which may support agricultural products include Germany, the United Kingdom, and Italy.

EC member states support export promotion agencies or companies funded primarily by producer assessments and supported by national governments and private companies. The promotion companies may represent consortia of producer organizations (the German central association of agricultural cooperatives) or act as a private company which receives government support and charges private companies for market research and promotion activities (the French Société pour l'Expansion de Ventes de Produits Agricoles et Alimentaires—SOPEXA).

## CHANGES IN EC FARM PROGRAMS

Mr. DURBIN. What adjustments have the Europeans made in their farm programs during the last two years that would cause the cost of their programs to either increase or decrease?

Mr. COLLINS. The EC has put in place a significant reform of its Common Agricultural Policy. The reform was spurred by the growth of EC expenditure for agriculture, continued surplus production, and the ongoing agriculture negotiations under the General Agreement on Tariffs and Trade. Changes in EC agriculture brought about by CAP reform could lead to lessening of tensions in the U.S.-EC agricultural trade relationship.

The reform contains changes in the policy mechanisms used to support the grains, oilseeds, protein crops, beef, sheepmeat, and tobacco sectors which will be phased in over 3 years beginning in 1993. For arable crops such as grains, oilseeds, and protein crops and beef, producers will be compensated for reductions in support prices through increased direct payments. These payments will be

based on the area planted to crops or the number of livestock per herd.

In addition, new supply control measures designed to reduce output and limit EC budget outlays will be put in place in the arable crops, beef, tobacco, and sheepmeat sectors. Larger producers, accounting for roughly 65 percent of EC arable crops area, will be required to set aside 15 percent of their area for the 1993/94 marketing year. In future years, the set-aside rate will be determined by market conditions in the EC. Limits have been placed on the number of livestock payments producers may receive.

The previous CAP policies increased agricultural output, changing the EC from a net importer to a net exporter of many major commodities. U.S. exports were displaced in EC and third-country markets. Providing support to farmers through direct payments gives less of an incentive to increase production than high guaranteed prices. Under CAP Reform, significant price reductions and supply control measures in the arable crops sectors will reduce production of grains, oilseeds and protein crops.

Consumption of agricultural products within the EC will be encouraged by lower prices. Lower output and increased domestic use should reduce the EC's supplies available for export. These changes in EC agricultural production, consumption and trade will have an impact on international and U.S. markets, and on the EC's ability to make commitments in the GATT talks.

Although the CAP Reform program was designed in part to reduce EC budgetary outlays for agriculture, spending should increase in the early years of implementation. The EC Commission has estimated that expenditure in 1997 will be 2.3 billion ECU or $3.1 billion more than the record 35 billion ECU $48 billion appropriated for agricultural price and income support spending in 1992.

However, the type of spending will be changed. Direct payments to producers will grow considerably in importance, particularly in the arable crops sector. The costs associated with intervention buying will be reduced because of lower intervention prices, and because quantities produced should drop. Per unit export subsidies will fall, because price cuts mean a smaller difference between the EC and world prices. Reduced production should also mean reduced quantities available for export.

I will submit additional information on the CAP reforms for the record.

[The information follows:]

TRANSITION TO THE NEW CAP—PRICES ARE LOWERED AND DIRECT PAYMENTS INCREASED OVER 3 YEARS

| Policy mechanism | 1991/92 | 1993/94 | 1994/95 | 1995/96 |
|---|---|---|---|---|
| Cereals intervention price | 155 ECU/t | 117 ECU/t | 108 ECU/t | 100 ECU/t. |
| Cereals payment | NA | 25 ECU/t | 35 ECU/t | 45 ECU/t. |
| Oilseeds payment | 162.5 ECU/t | 152 ECU/t | 152 ECU/t | 152 ECU/t. |
| Protein crops payment | NA | 65 ECU/t | 65 ECU/t | 65 ECU/t. |
| Set-aside payment | Varies by member state | 207 ECU/ha | 207 ECU/ha | 207 ECU/ha. |
| Beet intervention price | 3,430 ECU/t | 3,258.5 ECU/t | 3,087 ECU/t | 2,915.5 ECU/t. |

Note.—Payments shown are based on EC average yields. Actual payments will depend on regional yields in each member state. 1 hectare = 2.471 acres.

Source: Economic Research Service, USDA.

NEW ZEALAND

Mr. DURBIN. The government of New Zealand largely terminated their farm subsidy programs. Would you please discuss in some detail what the impact has been on New Zealand farmers and New Zealand agriculture?

Mr. COLLINS. The impact from agricultural specific reforms in New Zealand (NZ) since 1984 has led to: lower product prices and land values; cost-cutting attempts by farmers and those dealing with farmers, both in supplying farm inputs and marketing agricultural products; and shifts in the location and output composition of producers especially those that were heavily subsidized, for example sheep.

From most accounts, the severity of resource adjustment, although far from being painless, has not been as great as originally anticipated. Agriculture-specific reforms were preceded and followed by other reform measures undertaken by the New Zealand Government and world markets experienced major changes in the 1980's, making cause-and-effect conclusions difficult.

Lamb, mutton, and beef prices declined in the period following reforms. Generally rising input prices throughout the period put severe pressure on net farm incomes and pushed up farm borrowing to maintain cash-flow. As a result, real profit levels on sheep and beef farms dropped over 50 percent from 1984 to 1989. With increased borrowing, interest costs as a component of total farm expenditures increased and debt-to-equity ratios of 14 percent in 1980/81 increased to 36 percent by 1985/86. By 1992, ratios returned to 21 percent, lower than was earlier expected.

Annual farm sales dropped to less than 2,000 in 1986, compared with a 1970–81 average of 4,500. Decreased demand for sales translated into lower over-all land values, especially on sheep and grain farms. Also, farm sales to non-family members increased as a percentage of total transactions, 70 percent in the early 1980's to over 80 percent by the late 1980's, indicating that some farmers were cashing in on their "reduced" financial stake in agricultural property and were abandoning farming as a viable employment option for their heirs.

Absolute farm numbers did not drop, but enterprises shifted from sheep and beef to dairy, fruit, vegetables, deer and goat farming. Acreage shifts were pronounced for wheat and barley, reflecting reforms for those crops.

Greater diversification, especially from sheep to a mix of sheep with beef and other enterprises, appears to have been a successful strategy in sustaining total farm numbers. Also, farmers sought savings in resource use. Initial research findings, joint work in process at the University of Missouri and ERS, indicate that New Zealand farm productivity has increased since reforms. The sources of this apparent increased efficiency may include less efficient farms going out of business; reduced use of variable inputs; and adoption of more efficient technology by surviving producers. There is evidence that producers may have "run down" their capital stock by not offsetting depreciation on equipment and machinery

and not maintaining soil fertility. These longer-term impacts have been identified, but not analyzed.

### HISTORICAL CROP YIELDS

Mr. Durbin. On pages 27 and 28 of your prepared statement you have charts that show the dramatic increase in wheat, corn, and soybean yields that occurred since 1929. Why do you start with 1929? Were yields relatively stable prior to then?

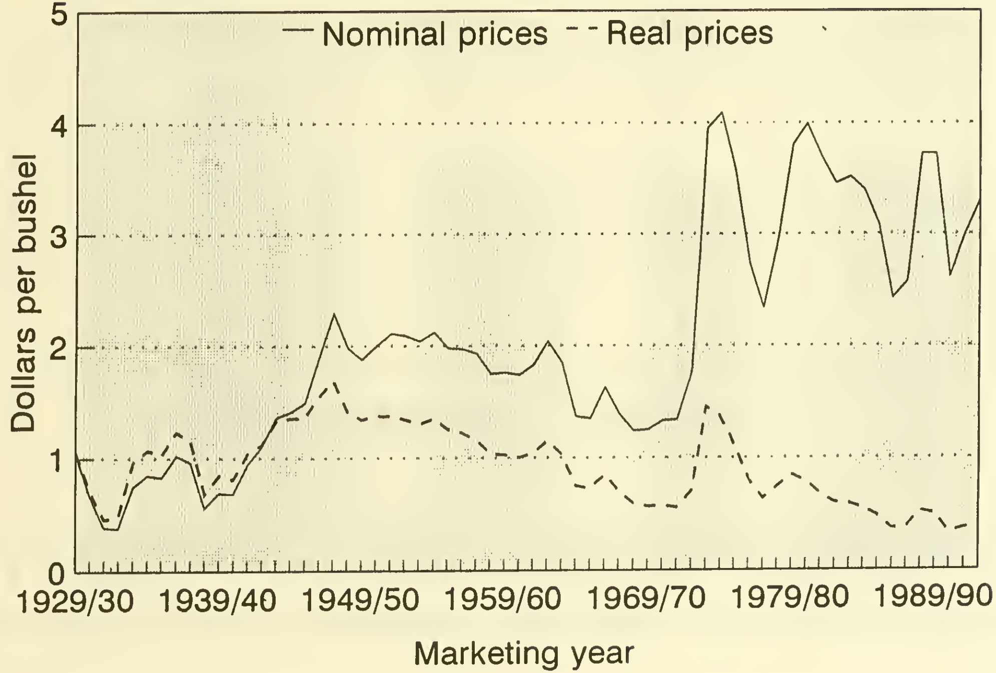
Mr. Collins. The year 1929 was a convenient starting point because it precedes the depression and the 1930's when the country experienced a devastating drought. Yield data for wheat and corn actually go back to 1866, providing a period of 126 years of yield data. Annual yields for wheat and corn were variable before 1929 but generally did not show an upward trend. Wheat yields ranged from a low of 10.9 bushels per acre in 1876 to a high of 16.7 bushels in 1915. Corn yields ranged from a low of 18.2 bushels per acre in 1901 to a high of 30.3 bushels in 1920. Soybeans are a newer crop, and historical soybean yields are available back to 1924. Prior to 1929, soybean yields increased from 11.0 bushels per acre in 1924 to 13.6 bushels in 1928.

Mr. Durbin. Would you please place each chart in the record along with another chart for each commodity that shows prices per bushel and prices per bushel in 1929 dollars?

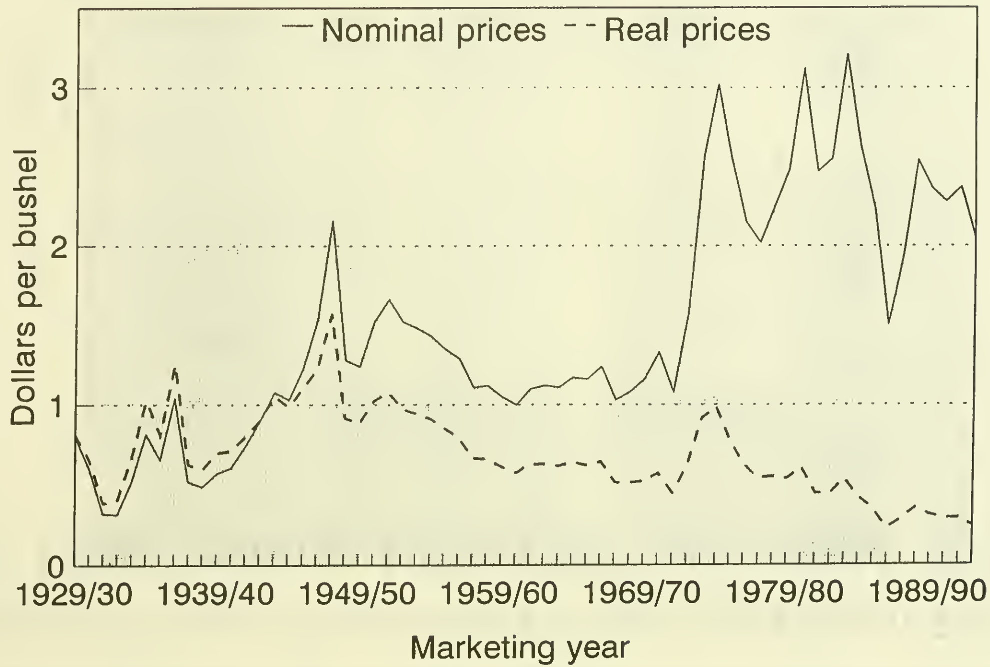
Mr. Collins. I am submitting charts showing nominal prices and real prices in 1929 dollars for wheat, corn, and soybeans.

[The information follows:]

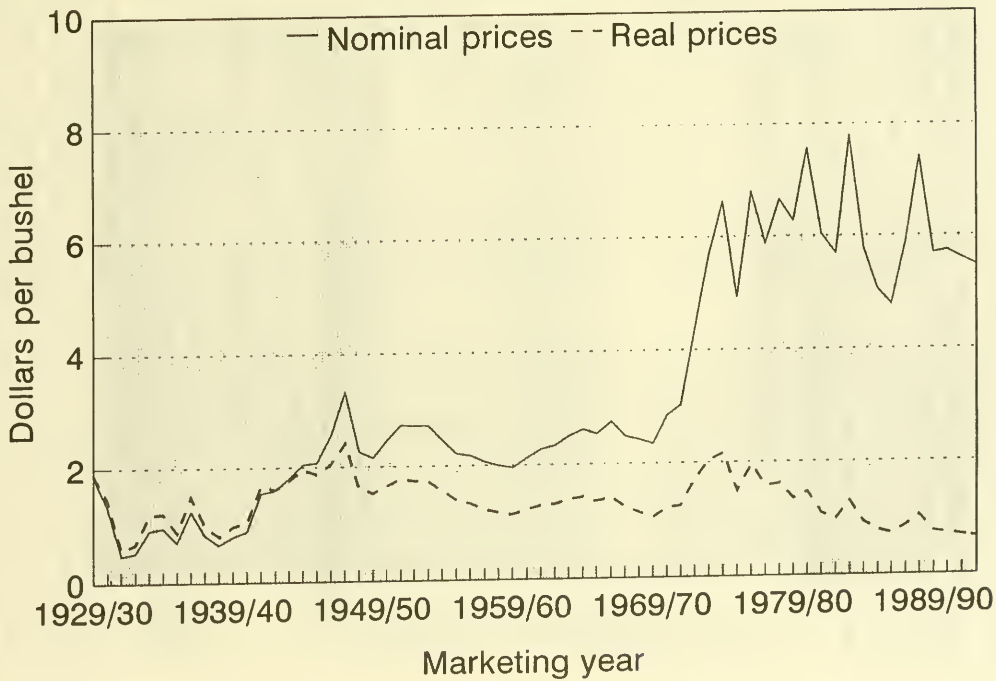
## Wheat Prices: Nominal Prices and Real Prices in 1929 Dollars, 1929-1992 Marketing Years



## Corn Prices: Nominal Prices and Real Prices in 1929 Dollars, 1929-1992 Marketing Years



## Soybean Prices: Nominal Prices and Real Prices in 1929 Dollars, 1929-1992 Marketing Years



CHANGES IN FARM OWNERSHIP

Mr. DURBIN. Please provide for the record a table showing the number of farmers leaving agriculture for the years 1982 through 1992 and estimates for 1993 and 1994.

Mr. COLLINS. The table I am submitting shows the annual change in farm numbers since 1982, with projections for 1993 and 1994. These are net figures reflecting the difference between the number leaving farming and the number of beginning farmers. The projections are not based on economic forecasts, they are simply moving averages of data for recent years.

[The information follows:]

NUMBER OF FARMS AND ANNUAL CHANGE 1982–1994

| | Number (thousands) | Change from previous year |
|---|---|---|
| Year: | | |
| 1982 | 2,407 | |
| 1983 | 2,379 | −28 |
| 1984 | 2,334 | −45 |
| 1985 | 2,293 | −41 |
| 1986 | 2,250 | −43 |
| 1987 | 2,213 | −37 |
| 1988 | 2,197 | −16 |
| 1989 | 2,171 | −27 |
| 1990 | 2,140 | −30 |
| 1991 | 2,105 | −36 |
| 1992 | 2,096 | −9 |
| 1993 [1] | 2,071 | −25 |
| 1994 [2] | 2,047 | −24 |

[1] Preliminary projections based on 4-year average of annual net decline in farms.

Source: National Agricultural Statistics Service.

FOREIGN OWNERSHIP OF U.S. FARMLAND

Mr. DURBIN. Would you please provide for the record the table showing the foreign ownership of U.S. farmland for fiscal years 1982 through 1992 and estimates for 1993 and 1994.

Mr. COLLINS. The table I am submitting shows foreign ownership of U.S. agricultural land, farm and forest land, for calendar years 1982 through 1992. These figures are slightly below 1 percent of the 1.3 billion acres of privately owned agricultural land in the United States. It is unlikely that there will be any dramatic changes in foreign ownership of agricultural land in 1993 and 1994.

As of 12/31/92, foreign persons from Canada, the U.K., Germany, France, Switzerland, the Netherlands Antilles, and Mexico accounted for 74 percent of the foreign-held acreage. Foreign persons from Japan own only 3 percent of the foreign-owned acres, 477,000 acres.

Corporations own 72 percent of the acreage; partnerships, 20 percent; and individuals, 6 percent. The remaining 2 percent is held by estates, trusts, associations, institutions, and others.

U.S. corporations, in which foreign persons have a significant interest or substantial control, own 54 percent of all foreign-held

land. The remaining 46 percent is held by foreign persons not affiliated with a U.S. corporation.

Forest land accounts for 49 percent of all foreign-owned acreage, cropland for 17 percent, pasture and other agricultural land for 31 percent, and agricultural land not used for agricultural purposes for 3 percent.

Foreigners do not appear to be taking purchased agricultural land out of production. No change in intended use at the time of filing was reported for 94 percent of the acreage.

[The information follows:]

*Foreign ownership of U.S. agricultural land*

[In million acres]

| | |
|---|---|
| 1982 | 13.4 |
| 1983 | 13.7 |
| 1984 | 14.0 |
| 1985 | 12.1 |
| 1986 | 12.4 |
| 1987 | 12.5 |
| 1988 | 12.5 |
| 1989 | 12.9 |
| 1990 | 14.4 |
| 1991 | 14.8 |
| 1992 | 14.5 |

CHANGE IN MARKET PRICES

Mr. Durbin. For the record please provide a table listing each of the major commodities showing their 1983 price, their current price, and the price in 1983 inflated dollars.

Mr. Collins. I am submitting a table that shows the 1983 prices, current prices, and 1983 prices inflated to 1992 for major field crops, livestock and poultry products, and fruits and vegetables.

[The information follows:]

PRICES FOR SELECTED COMMODITIES: 1983, 1992, AND 1983 INFLATED LEVELS

| Commodity | Unit | 1983 price | 1992 price | 1983 inflated price (1983 dollars) [1] |
|---|---|---|---|---|
| Field crops: | | | | |
| Wheat | Dollars/bu | 3.53 | 3.00 | 4.80 |
| Corn | do | 3.25 | 2.37 | 4.42 |
| Sorghum | do | 2.84 | 2.25 | 3.86 |
| Barley | do | 2.50 | 2.10 | 3.40 |
| Oats | do | 1.67 | 1.20 | 2.27 |
| Soybeans | do | 7.81 | 5.60 | 10.62 |
| Rice | Dollars/cwt | 8.76 | 7.58 | 11.91 |
| Cotton | Cents/lb | 66.40 | 68.20 | 90.30 |
| Livestock and poultry: | | | | |
| Beef cattle | Dollars/cwt | 55.50 | 75.36 | 75.48 |
| All hogs | do | 46.80 | 48.05 | 63.65 |
| All milk | do | 13.58 | 13.11 | 18.47 |
| 12-city broiler | Cents/lb | 46.40 | 52.60 | 63.10 |
| Turkeys, eastern region, hens | do | 60.80 | 59.90 | 82.69 |
| Fruits and vegetables: | | | | |
| All oranges | Dollars/box | 5.96 | 7.68 | 8.11 |
| All apples | Dollars/lb | .149 | .149 | .20 |
| All potatoes | Dollars/cwt | 5.82 | 5.28 | 7.92 |
| All dry edible beans | do | 22.40 | 21.00 | 30.46 |
| Tomatoes, fresh | do | 24.00 | 36.30 | 32.64 |

PRICES FOR SELECTED COMMODITIES: 1983, 1992, AND 1983 INFLATED LEVELS—Continued

| Commodity | Unit | 1983 price | 1992 price | 1983 inflated price (1983 dollars) [1] |
|---|---|---|---|---|
| Lettuce, fresh | do | 12.30 | 12.50 | 16.73 |
| Onions, fresh | do | 12.40 | 12.80 | 16.86 |
| Broccoli, fresh | do | 28.20 | 22.90 | 38.35 |
| Carrots, fresh | do | 12.70 | 10.70 | 17.27 |
| Sweet corn, fresh | do | 14.40 | 14.70 | 19.58 |
| Celery, fresh | do | 13.70 | 12.20 | 18.63 |
| Honeydew melons | do | 13.20 | 14.90 | 17.95 |
| Tomatoes, canning | Dollars/ton | 68.40 | 58.00 | 93.02 |
| Sweet corn, canning | do | 58.30 | 61.70 | 79.29 |
| Sweel corn, freezing | do | 62.10 | 68.20 | 84.46 |
| Snap beans, canning | do | 153.00 | 166.00 | 208.08 |
| Green beans, freezing | do | 178.00 | 191.00 | 242.08 |

[1] Inflated using the GNP deflator where 1983=100 and 1992=136.

## BALANCE OF PAYMENTS

Mr. DURBIN. American agriculture has contributed significantly to the U.S. balance of payments. Please provide for the record a history of this role in terms of other sectors of the economy.

Mr. COLLINS. I am providing for the record a table that shows American agriculture has contributed not only to the U.S. balance of payments, but also to other sectors of the economy. It is estimated that in recent years the food and fiber industry employed more than 20 million people, had an output over 1.8 trillion dollars, and generated more than 800 billion dollars worth of value-added or GNP, more than 15 percent of total gross national product. Nearly 17 percent or one out of every six American workers were employed in the food and fiber system in recent years.

The food and fiber industry provided more than 18 million nonfarm jobs—most of which were service jobs. Gross national product produced in nonfarm sectors through farm-related activities amounted to more than $750 billion—again, most was service income, but slightly more evenly distributed across the nonfarm sectors of the economy.

[The information follows:]

EMPLOYMENT AND GROSS NATIONAL PRODUCT RELATED TO PRODUCING, PROCESSING, AND DISTRIBUTING FARM PRODUCTS

| Item | 1975 | 1980 | 1985 | 1987 | 1989 | 1990 |
|---|---|---|---|---|---|---|
| MILLION WORKERS | | | | | | |
| Total food and fiber | 20.3 | 21.4 | 21.1 | 20.1 | 21.0 | 20.7 |
| Percent of domestic economy | 21.6 | 20.1 | 18.2 | 16.7 | 17.0 | 16.6 |
| Employment: | | | | | | |
| Farm sector | 3.0 | 2.6 | 2.3 | 1.9 | 2.2 | 2.1 |
| Nonfarm sectors | 17.2 | 18.9 | 18.7 | 18.2 | 18.8 | 18.6 |
| Food processing | 1.5 | 1.5 | 1.5 | 1.3 | 1.3 | 1.3 |
| Manufacturing | 3.3 | 3.3 | 2.9 | 2.6 | 2.7 | 2.6 |
| Transportation, trade and retailing | 5.7 | 6.4 | 6.7 | 6.6 | 6.8 | 6.8 |
| Eating | 3.1 | 3.6 | 3.6 | 3.8 | 3.8 | 3.8 |
| All other | 3.7 | 4.0 | 4.1 | 3.9 | 4.1 | 4.1 |

EMPLOYMENT AND GROSS NATIONAL PRODUCT RELATED TO PRODUCING, PROCESSING, AND DISTRIBUTING FARM PRODUCTS—Continued

| Item | 1975 | 1980 | 1985 | 1987 | 1989 | 1990 |
|---|---|---|---|---|---|---|
| Total domestic economy | 93.8 | 106.9 | 115.5 | 119.9 | 123.9 | 124.8 |
| PERCENT | | | | | | |
| Farm sector | 3.2 | 2.4 | 2.0 | 1.6 | 1.8 | 1.7 |
| Nonfarm sectors | 18.4 | 17.7 | 16.2 | 15.2 | 15.2 | 14.9 |
| Total domestic economy | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| DOLLARS IN BILLIONS | | | | | | |
| Total food and fiber | 325.7 | 499.9 | 698.7 | 715.3 | 820.1 | 843.5 |
| Percent of domestic economy | 20.4 | 18.3 | 17.4 | 15.8 | 15.8 | 15.4 |
| Value added by activity: | | | | | | |
| Farm sector | 43.3 | 55.1 | 71.4 | 59.9 | 71.4 | 76.2 |
| Nonfarm sectors | 282.4 | 444.8 | 627.4 | 655.4 | 748.7 | 767.2 |
| Food processing | 38.7 | 56.0 | 83.7 | 83.1 | 93.9 | 96.8 |
| Manufacturing | 57.0 | 83.0 | 102.1 | 101.3 | 115.9 | 117.9 |
| Transportation trade and retailing | 96.8 | 157.5 | 220.9 | 232.2 | 262.8 | 270.1 |
| Eating | 25.7 | 42.0 | 57.5 | 65.8 | 73.5 | 76.4 |
| All other | 64.2 | 106.3 | 163.2 | 173.0 | 202.6 | 206.1 |
| Total domestic economy | 1,598.4 | 2,732.0 | 4,014.9 | 4,515.6 | 5,200.8 | 5,465.1 |
| PERCENT | | | | | | |
| Farm sector | 2.7 | 2.0 | 1.8 | 1.3 | 1.4 | 1.4 |
| Nonfarm sectors | 17.7 | 16.3 | 15.6 | 14.5 | 14.4 | 14.0 |
| Total domestic economy | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Economic Research Service, USDA.

Mr. DURBIN. Let me yield to my colleague from New Mexico, Mr. Skeen.

Mr. SKEEN. Thank you, Mr. Chairman.

Mr. Collins, I think you did an outstanding job of briefing out what the entire world situation is in one of the best expositions I ever heard. I appreciate it.

Mr. COLLINS. Thank you.

RUSSIAN DEBT

Mr. SKEEN. What I am really concerned about as far as the former Soviet Union is concerned, who are we dealing with as far as the debt responsibility? Is there a clear line of delineation in that regard?

Mr. COLLINS. Well, at the moment it is not fully clear to me. It may be more clear to our negotiators.

There are three areas of responsibility, there is the former Soviet Union itself, which incurred debt. Since the breakup of the former Soviet Union, we have the individual republics that have incurred debt. So we have obligations that the former Soviet Union owes us. We have obligations that Russia owes us, obligations that Ukraine owes us.

Mr. SKEEN. Let's go back to the cotton situation, for instance, because the former Soviet Union has had a profound effect on the world cotton market. I didn't realize the former Soviet Union was that big a producer of cotton. Now they are exporting it instead of using it domestically.

Mr. COLLINS. That has been a serious problem. If you go back a decade ago, the former Soviet Union grew 12, 13 million bales of cotton. Today they are down to 9 or 10 million bales.

The problem is their domestic cotton use has been slashed, it has dropped dramatically. In addition to that, they used to export a lot of their cotton to East Europe. Before the change toward market reforms in East Europe, East Europe used to buy 4½ million bales of cotton per year. Now they are buying 2½ million. So even with less production, cotton has been piling up in the former Soviet Union. They became the lowest cost supplier of cotton in the world in the last two years and they have been exporting to the tune of about 4 million bales annually, which makes them the world's second largest exporter now.

Mr. SKEEN. What has been the drop in the world market price?

Mr. COLLINS. Since 1991, in the order of 20 to 25 cents a pound.

Mr. SKEEN. I think it indicates a hard-nosed approach and effort to get hard currency, and that is where the big problem is.

Mr. COLLINS. The problem has been that there has been a breakup in their inter-republic trade, plus the republics have gotten a lot of marketing assistance from cotton merchants and other people to help them get into the world market.

Part of the solution for us in this is I don't think that the former Soviet Union is going to increase cotton production over the next few years.

Mr. SKEEN. They haven't. They have just been displacing their own market.

Mr. COLLINS. Part of the solution would be to see Eastern Europe get its market reforms behind them and start using more cotton.

The former Soviet Union has taken about 7 percent of our oilseeds over the last several years, and that is another market that we were looking for to get strength in soybean meal in particular.

Mr. SKEEN. Thank you, Mr. Chairman. I would like to go back and ask questions on that.

Mr. DURBIN. Are there any other questions on the Russian trade issue?

### BARTER

Ms. KAPTUR. Mr. Chairman, I have one question relating to authority of the CCC in the area of barter, and I wonder if in dealing with the former Soviet Union, to what extent is the department pursuing those options?

I have just read some news articles and the former Soviet Union certainly has strategic materials that are available. I don't know to what extent those discussions have been ongoing in terms of dealing with this agricultural question.

Could you expand on this question please? I am very interested in barter with those countries.

Mr. COLLINS. Sure.

Ms. KAPTUR. Republics, excuse me.

Mr. COLLINS. My knowledge in this area is somewhat limited. Secretary Espy has publicly stated he has looked at a number of options. I would think that barter is probably among those options.

We have some barter trade through the Export Enhancement Program with the former Soviet Union. It has been very limited. These have involved third-party transactions where some third country receives a product from the former Soviet Union, pays us and we export wheat, for example, to the former Soviet Union, and apply the EEP bonus to it. There has been some of those three-way trades. But it has been small, only a million and a half tons of wheat thus far.

I come up here as an economist, and economists, as almost an act of faith, don't like barter.

Ms. KAPTUR. I know that. It isn't money, is it?

Mr. COLLINS. We say if a country wants to barter, they suffer from one of two problems: Either they don't know how to market or they are marketing something that is lousy.

Ms. KAPTUR. But we know the former is true and probably the latter is true, but we have to move them along the continuum. There is a development continuum, right, of a free enterprise economy. So how do we help them use barter to move to the next level?

Mr. COLLINS. I think the case is stronger for barter in the former Soviet Union than probably any other place I have seen. The reason I say that is the problem they have had in repatriating foreign exchange earnings when they have had agents within the various groups export commodities, the foreign exchange doesn't always find its way back to the country. Selling in kind could help solve that problem.

There is no doubt they have got oil. They have vast reserves of timber. They have cotton. Some private cotton barter has taken place, for example, so there is some prospect for that, but I really can't tell you whether that will be part of the final package that the administration proposes or not.

Ms. KAPTUR. I will tell you what I would really appreciate, because I have been interested in this for a very, very long time. I am most interested in how you could get barter transactions going. No one has written the text on how one changes from a Communist economy to a free market economy. We have got to look at some new lessons in this regard. Barter is the beginning of that developmental chain. Others may disagree with that point of view.

But I would very much appreciate it if you could go back to your friends and experts within USDA and perhaps within the Government of the United States. Send me the names of two or three people that know the most about this. I would love to meet with them. I think we can do a lot here. It can be people from the World Bank; they wouldn't have to be people from the USDA or the Ex-Im Bank. It doesn't really matter. But I would like to turn over another page on this question. They desperately need it. So do we.

Mr. COLLINS. I would be happy to do that. I think another aspect that points toward barter is the foreign exchange inconvertibility of the ruble. I will give you some references including some private trade people who have been involved in bartering cotton out of Uzbekistan. You might find those names helpful.

Ms. KAPTUR. I have got to believe there are individuals somewhere who could help us do this. I would be most grateful for that. Thank you. I know it is a bit unconventional, but the situation we are dealing with is a bit unconventional.

Mr. COLLINS. We need creative solutions.

Mr. DURBIN. Any other questions?

Mr. Peterson?

Mr. PETERSON. Just to follow along with what Marcy is talking about, this barter in the old Soviet Union is much more important than what anyone, I think, is imagining. Incidentally, this isn't new. Oxycam and a few other companies are bartering for ammonia and a few other things coming out of those countries for years.

Given the fact that they have limited currency, we have got to prime the pump. We have to have this transition zone. If they have products we can barter, rather than us having them owe us something on the books, it makes a lot of sense to me. I think we have got to address that.

INFRASTRUCTURE OF SHIPMENTS

The other thing that occurs to me is, what do you see as the problem or potential problem in the infrastructure in dealing with our shipments to all of these various republics? We have to deal with each of those separately now. And obviously it is going to matter into some transshipments, I presume, in Ukraine and the major port facilities that used to be Russia. It is not anymore. It is other things.

And how is that going to add cost and/or tariffing? What is the apparatus that is going to fall into place there?

Mr. COLLINS. I honestly don't know what will evolve over the coming year in that regard. I do know that you would have to look with some question at how well the former Soviet Union will function as a commercial buyer in the future.

Now that they are in arrears on our commercial guarantee program, many people are looking toward concessional types of programs. When you move toward concessional programs, then you move toward cargo preference. For example, we would have to pay cargo preference rates. That would certainly be one marketing cost that could emerge as we look out over the next year or two.

Mr. PETERSON. What do you see as the problem or potential problem in the infrastructure in dealing with our shipments to all of these republics of the FSU?

Mr. COLLINS. The political breakup of the FSU is one reason for the increased complexity and uncertainty in trade between the United States and the FSU. Other reasons include the deterioration in the balance of payments of Russia, the exceedingly weak balance of payments positions of the other republics, and the grave difficulties in interrepublic trade and transport.

The breakup of the FSU means that U.S. exporters no longer sell to a single established state purchaser of commodities for the FSU. Instead, exporters must sell to foreign trade organizations in a number of republics. Before the political breakup of the Union the grain and other commodity import needs of the entire USSR were decided centrally. Authorities in Moscow directed two foreign trade organizations to purchase commodities on world markets. Import of grain was handled by the foreign trade organization, Exportkhleb. Likewise, the import of other agricultural commodities for the USSR was handled by the organization, Prodintorg.

Currently, the process of selling to the republics is considerably more complicated. The two foreign trade organizations which formerly did business for the Soviet Union now serve only Russia. U.S. exports to other republics must be handled by new republic-specific importers. Moreover, credit guarantees from banks in both Russia and the republics are considerably less acceptable to Western banks as letters of credit. For instance, the USSR Bank for Foreign Trade went bankrupt at the end of 1991. The Russian Bank for Foreign Trade replaced this bank, but its financial position continues to be weak. The creditworthiness of banks in the republics is even less certain.

Behind the increased concerns about creditworthiness of banks in the FSU are the balance of payments difficulties currently experienced by all republics. In Russia, oil exports, the chief source of Western currency revenues, have dropped precipitously in the past few years primarily because of a large drop in oil production, which will reduce production in 1993 to about ⅔ of its level in 1985. The other republics simply have very little to export to the West in order to earn hard currency.

The third problem which has complicated U.S. exports to the FSU concerns the political and economic conflicts between the republics. Interrepublic transport is important because many of the republics have no ports, or in the case of Russia, much of the country is far from its own ports. Formerly, movement and distribution of U.S. goods from ports was handled by central authorities. Now, shipments to republics require arranging for and financing transport within the republics. Moreover, some republics have had to turn to alternative, more costly transport routes because armed conflict, notably in Georgia, Armenia, and Azerbaijan, now impedes use of traditional rail and truck systems. In some regions, republics have banned through shipments to certain destinations. These conflicts made interrepublic transport very difficult. Formerly, a U.S. exporter could ship grain to ports in the Baltics, the Crimea or Russian ports. The grain was then distributed internally by central authorities. Now, grain shipments to countries of the FSU are complicated by the necessity of arranging for and financing transport within the republics. For instance, grain shipped to the Crimea, in Ukraine, intended for Russia necessitates arrangements between Russian and Ukrainian authorities both for financing and transportation.

Mr. PETERSON. I just see some major problems here. This is a different game here, particularly in an area that is absolutely so critical to our agriculture markets. And somebody is going to have to go in and do some heavy-duty study on that.

Thank you.

COTTON

Mr. DURBIN. Congressman Pastor.

Mr. PASTOR. Regarding the commodity of cotton and the problems we are having with the overall export market, what impact is the white fly having on the quality of cotton produced in the United States? How do you see our future in the cotton market?

Mr. COLLINS. This has been a particularly bad year, I think, in Arizona for white fly. From what I hear, merchants are really reluctant to want to handle Arizona cotton because of that. And there have been lots of concerns. In fact, Arizona cotton might even show up as deliverable on the New York cotton exchange, and that raised a lot of hackles.

I am not sure what the future of Arizona cotton is with regard to the white fly. I don't know. I am not up to date on the state of the research, and what pest techniques might be usable to mitigate the white fly problem in Arizona. But I can see where this year in particular you had a white fly problem, a production problem, a reduction in Arizona production which we are seeing, together with 52-cent cotton prices that we have seen this year, together with higher water costs and so on.

And Arizona, which has long been looked at as an area of the most competitive, highest yielding, most efficient cotton production in the Nation, has really taken a turn in the opposite direction over the last couple of years, and I certainly hope that can be resolved.

### OILSEEDS

Mr. SMITH. Would you expand a little about oilseeds? The European Community wants more meal, but they are complaining because we are competing with our subsidized exports of oil and they can't get rid of their oil. So, for example, in Portugal they don't take the whole soybeans at all.

How important is the Russian soybean under these circumstances?

Mr. COLLINS. We have gotten some help this year with the European Community. Their oilseed production is down this year. We have been able to pick up some of that market, particularly since Brazil was out of the market for part of this year. We have been able to move beans in particular into the European Community. The crushing margins have been——

Mr. SMITH. We were just in Portugal yesterday and they are not even taking whole soybeans at that big mill there.

Mr. COLLINS. I can't speak for Portugal. That may well be the case. But for the year to date, E.C.'s imports of soybeans are up probably something in the order of 40 percent. So they have——

Mr. SMITH. You think the market is strong enough that it doesn't make that much difference, then?

Mr. COLLINS. No, I wouldn't say that. When you are looking at soybean prices that are in the range of farm level $5.35, 5.40 per bushel, as they have been for much of this year, we need all the markets we can get.

The former Soviet Union is a market that I think in normal times before the arrearages began, we could probably expect to export close to a million tons of soybeans, over a million tons of soybean meal, and probably 200,000–300,000 tons of soybean oil. And at the moment we are exporting almost none of that to the former Soviet Union. So all of that would be important in helping price strength and farm income.

So, yes, I think it is very important. And the former Soviet Union needs protein meal. Their livestock production efficiency is about half of ours. They would be able to produce much more efficiently if they could——

SOYBEAN MEAL

Mr. SMITH. One more real quick question. With regard to the former Soviet Union, why don't we roast soybeans and just grind them and send them over instead of the meal? What is the economics involved?

Farmers in this country grow soybeans and feed them to hogs and they say it is a great thing to do. Since we have got more oil than we need, why aren't we roasting soybeans and sending them over instead of separating the meal from the oil?

Mr. COLLINS. I don't know the answer to that question. I have never looked at the economics of roasting soybeans. I would say as we look back over the shipment patterns to the former Soviet Union, they have taken more meal and oil than they have taken beans, which suggests we can crush more efficiently than them.

I don't know about the economics. I can take a look at that question.

Mr. SMITH. Will you take a look at that and tell me? Because I know farmers that are roasting soybeans tell me it is a lot more economical for them to roast soybeans, feed them to hogs, and they get better gain than they do just out of meal.

Mr. COLLINS. I will provide additional information for the record.

[Additional information follows:]

The soybean can be fed as a whole bean if it is cooked to destroy the trypsin inhibitor. However, soybeans are not usually cooked and fed as whole beans because it is usually not economic to do so. That is because soybean oil, which is a pure energy source, is too expensive to use as animal feed for energy unless soybean prices are low enough that it does not pay to extract the oil. The usual sources of energy concentrate are coarse grains such as corn, wheat, sorghum, and barley and they are a cheaper energy source.

In the United States, when whole oilseeds are fed (whole cottonseed is fed in California), most oilseeds are fed to dairy cattle and the oil helps boost butterfat content of milk.

In Russia, concentrates of poor quality are currently overfed. Furthermore, the Russians could become self-sufficient in concentrate feeds. Their deficiency currently and over the longer run will be protein. Their livestock rations are short on protein content. As a result, the Russians will likely be importers of protein meals. If they do import soybeans or oilseeds, they will process them, not feed them whole.

Mr. DURBIN. If I can reclaim the Chair for a moment here, I think we are going to have a vote about 2:00. I am going to try to go through in sequence now and give everybody an opportunity, but I will start by yielding my time to Congresswoman DeLauro, who I understand has to leave for a meeting.

Ms. DELAURO. Thank you very much, Mr. Chairman.

Thank you. I understand you are a Connecticut native, is that right?

Mr. COLLINS. I am. I was born and raised there and went to elementary and high school there. Sandy Hook, if you know where that is.

NAFTA

Ms. DeLauro. I had a couple of questions with regard to NAFTA and your allusions to it in the testimony. You spoke about how the implementation of NAFTA would stimulate beneficial increases in regional trade, although modestly at first.

Can you just explain in a little greater detail what you predict the effects of NAFTA will be on U.S. exports?

Mr. Collins. Sure. We at the Department of Agriculture did release to the public a study back in September of 1992 which was called the preliminary assessment of the North America Free Trade Agreement. We have been feverishly working on a final assessment of the North America Free Trade Agreement, which we would hope to get out shortly.

Meanwhile, the International Trade Commission, you may know over the past week or two, has put out their assessment of NAFTA, and we have received a draft of the Congressional Budget Office's assessment of the effects of NAFTA.

And I think that all three entities look at this pretty much the same way. NAFTA is an agreement on border measures. It doesn't go after export subsidies. It doesn't go after domestic support programs the way our GATT proposal would and the way the GATT negotiations are proceeding.

What it goes after is border measures, market access barriers. And in nontariff barriers, in Mexico, particularly import licensing is quite pervasive. What NAFTA would do is take import licensing, convert it to essentially a tariff rate quota, there would be some quota which would provide us market access and a tariff on any exports above that amount. Then, those second-tier tariffs on a tariff rate quota would be phased out over a five, 10, or 15-year periods depending on the sensitivity of the commodity.

So we have looked at this for a variety of commodities, of course all the major grain, oilseed, livestock products, we have also looked at it for 27 different fruit and vegetable products. Difficult to do, to some extent, because when NAFTA is fully implemented, we are talking about the year 2008. We are talking about a market that is now several billion dollars in U.S. agricultural exports out of our total exports of $42 billion.

Nevertheless, what we have concluded by the time you get the full implementation, the year 2008, we think U.S. exports would be about $2 to $2½ billion higher than they would be otherwise. That is not a big percentage gain but it will be important in certain markets.

Ms. DeLauro. What will happen in terms of agricultural jobs? One of the other things you said is that we look to agriculture for increasing jobs. What is your sense of the effect on agriculture?

Mr. Collins. Actually we don't see a whole lot of effect. If anything, it would be slightly positive. There would be some problems—where we get competition from labor intensive vegetables in particular.

As far as the number of farm operator households, farm managers, we really don't see any effect on that. The bigger question has been on what would happen with agricultural food processing. And here again that is very difficult to anticipate.

There are a lot of American firms that have joint ventures, that have affiliates in Mexico. Much of that production that comes from those firms is for the Mexican market. It is not to export back to the United States. That is the way it has been until now.

And we really don't foresee much of a change in that. We expect joint ventures to continue. We expect U.S. firms to develop affiliates with their own branch plants in Mexico. But we don't really think that is going to detract from their domestic production shipments to the U.S. market. We think they will be doing that primarily for the Mexican market, which we expect to grow quite rapidly.

Ms. DeLauro. Thank you, Mr. Chairman.

Mr. Durbin. Thank you very much.

Mr. Durbin. If Ms. Kaptur wouldn't mind, I understand Mr. Thornton has duty in the chair that will require him to leave.

Mr. Thornton. I thank you very much, Mr. Chairman. I thought your presentation was very outstanding.

Mr. Collins. Thank you.

RICE

Mr. Thornton. It was a good summary and gave us a broad overview. One of the areas that was omitted from the questioning was rice, and the interests of my constituency are very highly involved in rice production, and in rice exports. And there are very serious trade barriers in place today with regard to rice.

I wonder if you might expand briefly on your views on those issues.

Mr. Collins. I would be happy to. I regret that I did skip over rice in my verbal comments. I hope you note that there was a rice section in the written comments.

Mr. Thornton. I read it very carefully.

Mr. Collins. Unfortunately this year has seen a 14 percent increase in production, almost 180 million hundred weight. The result of that has been a really dramatic drop in rice prices. Last year rice prices averaged on a rough basis $7.60 a hundred weight. This year they are going to be closer to $6 a hundred weight. Percentage wise that is a dramatic reduction.

That stems primarily from the huge increase in production. I think one of the bright spots in the rice market has been domestic rice use over the last decade. The percentage increases, year in, year out, are almost astonishing. Exports unfortunately have been a weaker market. They have not grown the way the domestic market has grown. That is primarily attributable to tough export competition, first from Thailand and then most recently from Vietnam, which has become a big rice exporter.

As we look around the world, I agree with your assessment, there are tremendous trade barriers to rice, and I think you will find that the policy reaction at the Department of Agriculture has been unusual, to say the least, in that we have a marketing loan program for rice which has had a large amount of outlays under the program to help rice around the world and at the same time we have an Export Enhancement Program for rice.

The existence of the Export Enhancement Program means there is unfair trade. Of course, that comes from rice out of the European

Community. As far as markets, the Japanese exclusion of rice is of course legendary.

Mr. THORNTON. It is troublesome to many of my constituents who drive Japanese-built automobiles that you cannot even put a box of rice on display in an exhibition in Japan to illustrate that it can be grown somewhere else.

Mr. COLLINS. I can understand their concerns. I would say that the—the only way we have been able to approach that so far of course has been a long-standing 301 case that the Rice Millers Association filed under the 1974 Trade Act. The response to that by the U.S. Government is that we will look to the Uruguay Round to resolve that case.

The proposal that has been on the table from the so-called draft final act of the Dunkel text is for market access of 5 percent of consumption by the year 1999. The Japanese rice market is a 9 to 10 million ton market. Five percent of that market would be substantial. We think most of that could go to U.S. producers because we think we produce the kind of rice they would want. So there is some hope to get some export expansion, at least through the Uruguay Round.

Mr. THORNTON. Thank you very much for that response.

Mr. Chairman, I yield back the balance of my time.

Mr. DURBIN. Let me yield at this point to the gentlelady from Ohio.

Ms. KAPTUR. Thank you, Mr. Chairman.

NAFTA

Mr. Collins, I wanted to proceed on NAFTA questioning. To your knowledge, has the United States ever signed a free trade agreement with a nation whose per capita income level is as low as Mexico's, where it would affect the agricultural sector?

Mr. COLLINS. Not to my knowledge. There are the Israeli and Canadian agreements most recently, of course, and their per capita incomes would be much higher.

Ms. KAPTUR. What is the implication of having a free trade agreement with countries that have different per capita incomes?

Mr. COLLINS. The North American Free Trade Agreement or NAFTA will link two economies that are profoundly dissimilar in size and stage of development. In 1990, Mexican GDP was 4 percent that of the United States, and its per capita income just over 10 percent that of the United States.

An important concern about these differences is the effects on U.S. wages of opening trade with a labor-abundant, low-wage country. Free trade can be expected to lead to a "wage convergence" between the two countries, as Mexican labor-intensive exports and wages rise. Research has focused on whether this is likely to be accompanied by a decline in the U.S. unskilled wage.

The general consensus is that effects of the NAFTA on U.S. wages will be small. Average wages of skilled U.S. workers will rise, and the wages of unskilled workers in both countries may rise given sufficient gains from scale economies and increased competitiveness under an NAFTA. The negligible U.S. wage effect is mainly due to the small size of Mexico's economy and labor force

relative to that of the United States. Also, bilateral trade barriers area already low and remaining barriers will be phased out gradually. In addition, some bilateral trade growth will represent trade diversion, whereby part of the increase in U.S. imports from Mexico will represent lower imports from other low-cost suppliers. The U.S.-Mexico wage gap is not expected to be significantly diminished under NAFTA.

Capital and labor markets in Mexico and the United States are linked through investment and labor migration. In the long run, capital inflows to Mexico under an NAFTA are expected to accelerate GDP growth and raise Mexico's living standard. Mexico's imports will grow faster than its exports, mainly benefitting the U.S. The alternative to increased wages and productivity in Mexico under an NAFTA is increased Mexican labor migration to the United States, which would contribute to wage convergence at lower wages rates in the United States.

Related to differences in U.S. and Mexican per capita incomes are differences in their environmental and workplace regulations. Mexico is perceived to have weaker regulations, and these are interpretable as competitive advantages in a free trade area. In general, environmental conditions tend to worsen during economic growth in developing countries. However, once per capita income reach about $5000, an inverse relationship occurs. Higher income countries seem more likely to spend more on the environment. It can be expected that an acceleration of Mexico's economic growth under an NAFTA could lead to improved environmental conditions.

Another implication of the income disparities between U.S. and Mexico is the differences in their stage of demographic transition. Typical of a developing country, Mexico's age structure is younger, and its population and labor force growth are higher compared to the United States. In the next century, the United States faces a tighter labor market while Mexico faces a more abundant labor supply. Dismantling protectionist policies and encouraging trade under an NAFTA would help stimulate employment creation in Mexico, and assist the transition in the United States toward a highly skilled labor force.

### FOOD PROCESSING PLANTS

Ms. KAPTUR. One of my major concerns does center on just the basic economics of what we are talking about here, wedding these two economies, when there is such a divergence in them. Even Europe when it integrated Spain and Portugal did not face this kind of situation. And I am interested in the text. You talk about in the longer term NAFTA will create export opportunities in Mexico for U.S. producers.

Well, when I look at my State, food processing in Ohio is our largest industry. And I could see a situation where what happened to Green Giant in Los Angeles could happen to a number of food processing firms in my State. You know Green Giant closed in southern California, they moved down to Mexico. The farmers who supplied Green Giant in California didn't have a market anymore

that they could supply into. They didn't have a buyer. And all the processing workers lost their jobs.

Now, I represent an area where we have beef processing, we have Campbell's Soups, the largest soup company, we have tomato processing. I see a connection between our farmers' ability to supply into the processing, that is their market for their goods, and this NAFTA agreement. And I don't see a lot of discussion, and I have read all of these different reports—I have to tell you, it troubles me a great deal because I have seen what has happened to our tomato producers, our beet growers, and the list goes on.

I am very worried of I think for certain grain trading companies, perhaps the people that sell corn, and I have three groups in my district that do, and beans, there may be some rationale. But I see a real threat here to a number of our farm families who will no longer have a place to sell their goods. Am I well founded in that concern?

Mr. Collins. I think you are. I think that to step back for one second, the object of the North American Free Trade Agreement is to have open and free trade after 15 years.

Open and free trade is going to mean that we are going to expand in those markets that we do best in, and we are going to contract in the ones we do worst in. So there is going to be some give and take.

I think you are right about grains. We foresee some big adjustments in Mexico grain production, in grain imports, where their internal prices are now two to three times the world price.

Oilseeds also we would expect to see that as a better market. We would expect to see meat as a better market although there will be more cattle fed in Mexico.

The area that you mentioned that is most troubling is fruits and vegetables. Frozen concentrate orange juice, broccoli, asparagus, green beans, perhaps, onions would be another one, mangoes, pineapples, those are all Mexican-produced products. They are produced efficiently. They are going to expand, and they are going to expand the processing of those products in Mexico. To some extent that will come at the expense of our production. That is what happens in a free trade agreement, I guess.

I don't think, however, that problems are across the board. I mentioned earlier we looked at 27 fruit and vegetable products. For about a third of those we foresaw increased exports from the United States. For about two-thirds we saw increased imports. So there is going to be some fruit and vegetable exports, particularly the fruit products. Mexico doesn't grow apples or pears, for example, tree nut products. But there will also be some vegetable exports.

Exports to Mexico increased over the past several years. So there will be some opportunity for us. Packaged consumer products, the United States doesn't export much in the way of packaged consumer products to anybody. Our industry really operates on the basis of foreign affiliates. If they want to get into the European market they will work a joint venture, they will open an affiliate in Europe. So we have never really exported that much in the way of packaged consumer products.

Another factor I would mention is when you think about NAFTA, we should probably also be cognizant of the fact that Canada is also reducing its tariffs on fruits and vegetables, and there is going to be some trade we will pick up. Tomato paste is an example. People think we will export more tomato paste to Canada.

Ms. KAPTUR. Does that mean that they are going to lose more jobs? I have not read one article that I would consider a fine paper that talks about the integration of these economies and how the various forces at work will all be linked together. Currently a huge exodus of Mexican peasants off the farms is taking place which is related to the immigration on our borders. Also, what will happen to the Canadian food processing and our own farmers. We are just sort of assuming all of this is going to work out.

I think there are going to be huge dislocations here. And I, for one—am not going to go quietly into this goodnight. I am going to raise this issue, because I don't think people should suffer.

Market adjustments are going to be very, very cruel. What troubles me is that I have not seen any discussion of how the U.S. cooperative system could bridge borders and create co-ops down in Mexico so the farmers in Mexico and our farmers could directly gain income?

So if there are papers that you consider insightful on how better we can deal with these enormous adjustments, I would appreciate very much receiving them.

I feel sorry for those Mexican peasants. I really do. I have seen them sitting on the streets of Mexico City. I empathize with the tomato producers in my region because I know they are going to lose their business. I am not comfortable in all of this. I need to understand how the agricultural structures that are in place to help farmers can adjust to this in a better way.

Mr. COLLINS. I think you have made a number of very good points. It is difficult to balance the dislocations that will occur, the trade with Mexico, trade with Canada, and a larger market over all. I have not seen, and I have certainly not written one myself, good papers on dislocations. There has been some work that has been done in California over the years, particularly looking at labor market adjustments. I would be happy to provide that to you.

That is certainly a serious problem. In Mexico, 25 percent of its population is in agriculture, and most of that is in corn production. Half of the land, half the agricultural land in Mexico is in corn production. Another big chunk of it is in dry beans. And the Mexican government, as part of their implementing legislation for the NAFTA, has to figure out how they are going to deal with world corn prices when prices in Mexico are now two and a half to three times as large. The result is going to be a great dislocation with ejido peasants leaving the ejidos. A lot is going to depend on how successful Mexico is in its economic growth and rural development.

### U.S.-OWNED AFFILIATES

Ms. KAPTUR. There are 2,000 U.S.-owned affiliates in Mexico. How many deal with agriculture? What are their trade patterns—where do they source inputs, sell outputs?

Mr. COLLINS. Of the 2,000 U.S.-owned affiliates in Mexico, less than 70 deal with food processing. Most U.S.-owned food processing affiliates in Mexico serve the Mexican market. These plants acquire most of their inputs locally. In 1990, U.S. parent firms imported $74 million from their Mexican affiliates and exported $87 million worth of processed food to their affiliates in Mexico.

Maquiladora plants are an obvious exception to this pattern of limited trade between affiliates and their U.S. parent companies. Maquiladoras are firms in Mexico that primarily specialize in production for export. Imports from other countries used in processing or assembling finished products for export enter Mexico duty-free. If the finished product is re-exported to the United States, only the non-U.S.-made share is charged a duty. Most food processing maquiladoras are very small plants and their U.S. owners are mostly located in the Southwest. Processed food exports from these plants to the U.S. totaled only $490 thousand in 1990. Products exported included canned, frozen, and dehydrated fruit and vegetables; meats (including sausage casings); seafood; candy; and salty snack foods.

U.S. firms that are known to have food processing affiliates in Mexico include: Ralston Purina; CPC International; Kraft General Foods (Philip Morris); Campbell Soup; PepsiCo Inc.; Quaker Oats; Universal Foods; Coca Cola; Borden; Kellogg; Hershey Foods; McCormick & Co.; Gerber Products; Tyson Foods; Sara Lee; RJR Nabisco; Cargill; and J.R. Simplot. Several large foreign-owned food processors in the United States have food processing affiliates in Mexico. These firms include Green Giant; A.E. Staley; and Central Soya.

FOOD PROCESSING INDUSTRIES

Ms. KAPTUR. What is the effect of NAFTA on food processing industries?

Mr. COLLINS. Mexico has taken several actions since 1986 to liberalize its trade and foreign investment policies. Mexico has reduced its maximum tariff rate, substituted tariffs for nontariff barriers on many items, and dropped import licensing requirements on several processed food products. In addition, rules governing foreign investment have been liberalized, permitting 100-percent foreign ownership in most sectors of the economy. Thus, the U.S. food processing industries have already made many adjustments to Mexico's liberalized tariff and investment regulations. The NAFTA, if ratified, would continue trends already well underway.

Mexico is our third largest export market for processed food and related products, after Japan and Canada. U.S. processed food exports to Mexico doubled between 1988 and 1992 to $1.8 billion. Mexico accounts for 8 percent of U.S. exports and that share is growing. Meat and poultry products account for 46 percent of U.S. processed food exports to Mexico. Fats and oils accounted for 12 percent, sugar and confections 11 percent, and grain mill products 10 percent. Processed fruits and vegetables account for about 5 percent of U.S. exports to Mexico. The most important processed vegetables shipped to Mexico are: canned and frozen sweet corn, canned tomatoes and tomato paste, frozen whole potato and frozen french

fries, potato chips, and mixed canned vegetables. Exports of all these items have more than doubled since 1988. For example, in 1992, exports of processed tomato products to Mexico increased dramatically reflecting abundant U.S. supplies and low prices. Mexico became the third largest market for U.S. canned tomato exports in 1992 increasing its imports of canned tomatoes by 225 percent and increasing imports of U.S. tomato paste by over 2,000 percent to 16.2 million pounds.

Industries important to Ohio such as soybean processing, grain milling, and vegetable processing have all experienced large increases in exports to Mexico before NAFTA and are expected to continue to increase export volume under NAFTA. Ohio's vegetable processing industry is concentrated in tomatoes and cucumbers for pickles.

Mexico is our fourth largest supplier of processed food. Frozen broccoli and cauliflower are the primary processed vegetables exported to the United States. Growth in imports of these commodities primarily affected California. But, U.S. imports from Mexico have grown very slowly, increasing about 4 percent between 1988 and 1992 to $1.1 billion. Only a modest increase in imports from Mexico is expected under NAFTA since duties for most processed food products are already relatively low.

Many U.S. firms have responded to liberalized trade and investment rules in Mexico by investing directly in Mexican food processing facilities. While U.S. food processing firms exported $1.6 billion to Mexico in 1991, sales from their foreign subsidiaries located in Mexico were much larger at an estimated $4 billion. U.S.-owned food processing affiliates in Mexico typically represent additional production capacity. In general, U.S. food processing firms do not close a U.S. plant when acquiring or building a food processing plant in Mexico. U.S. affiliates in Mexico produce primarily for the Mexican market rather than for export to the United States. For example, of the $1.1 billion of processed food the U.S. imported from Mexico in 1990, only $74 million, or 7 percent, came from U.S.-owned affiliates located in Mexico.

MAJOR COMMODITIES

Ms. KAPTUR. What is the effect of NAFTA on major agricultural commodities, especially on commodities important to Ohio?

Mr. COLLINS. The United States, Canada, and Mexico have concluded negotiations on the North American Free Trade Agreement, eliminating many barriers among the three countries, which will stimulate trade and economic growth in each country. The agricultural trade agreement will increase trade in both directions between Mexico and the United States. At the end of the transition period, an additional $2.0 to $2.5 billion per year of U.S. agricultural exports are likely. These exports translate into over 50,000 new jobs in the United States.

Ohio's leading cash receipt commodities in 1991 included soybeans, corn, dairy products, hogs, and cattle and calves. These commodities accounted for $2.9 billion, 74 percent of the State's total agricultural cash receipts. Ohio was also one of the top 5 producers of processing tomatoes and cucumbers.

For the record I will provide additional information on NAFTA. [The information follows:]

## KEY NAFTA PROVISIONS

Oilseeds: The current Mexican duty of 15 percent on soybeans will be lowered to 10 percent and the period when the duty is in effect will be shortened. The duty, as well as those on soybean meal and oil, will be phased out over 10 years.

Coarse grains: Mexico will eliminate its import licensing requirement on corn and provide immediate duty-free access for 2.5 million metric tons of corn. Mexico can apply a tariff of 215 percent on imports above the quota. The quota will increase 3 percent a year and the duty will be phased out over 15 years.

Dairy: Mexico will eliminate its import license on milk powder and provide immediate duty-free access for 40,000 metric tons. Mexico can apply a duty of 139 on imports above the quota. The quota will increase 3 percent a year and the duty will be phased out over 15 years. Mexico will also eliminate import licenses on cheese and evaporated milk and replace them with tariffs of generally 20 percent that will be phased out over 10 years.

Pork: Mexico will eliminate tariffs on live hogs and pork, generally over a 10-year period. Mexico will apply the special safeguard, a tariff-rate quota, on imports of some live hogs and pork products.

Beef: On November 11, 1992, the Mexican government announced the imposition of advalorem import tariffs on live cattle and beef. The tariff is 15 percent for slaughter cattle. For bovine carcasses or half carcasses, bone-in beef cuts, or boneless beef, the tariff is 20 percent for fresh or chilled and 25 percent for frozen. Previously, the tariffs were zero. They will return to zero when NAFTA takes effect. Duties on other beef products, such as offals, and prepared/preserved beef, range from 10–20 percent and will generally be phased out over 10 years. Mexico will be exempted from restrictions under the U.S. Meat Import Law.

Vegetables: U.S. tariffs on fresh tomatoes range from about 3 percent to 9 percent ad valorem equivalent. Under NAFTA, the special safeguards (seasonal tariff-rate quotas) will apply to imports of tomatoes in two seasons—March 1–July 14 and November 15 to the last of February. Within-quota tariffs will be NAFTA preferential rates and imports in excess of the quotas will be subject to the lower of the current most-favored-nation (MFN) rate or the MFN rate in effect at the time the safeguard action is taken. The special safeguards will be phased out over 10 years and tariffs on other tomato imports will generally be phased out over 5 years. Mexico will match U.S. specific duties and phase-out periods but will not use special safeguards for tomatoes. U.S. tariffs on fresh cucumbers range from about 8 percent to 20 percent valorem equivalent. Some tariffs will be eliminated immediately and others will be phased out over 5 or 15 years.

## ECONOMIC IMPLICATIONS OF NAFTA

Ohio's agriculture will benefit from NAFTA. Liberalization of trade and investment barriers and faster income growth in Mexico mean enhanced opportunities for much of Ohio's agriculture. This means higher incomes in agriculture and the State as a whole.

Oilseeds: Mexco's soybean imports vary depending on domestic production, domestic coarse grain demand, and availability and price of feed substitutes. Under NAFTA, U.S. soybean exports to Mexico are expected to be about 4.5 million metric tons by the end of the transition period. This is about 20 percent above what would be expected without a NAFTA. In addition, soymeal exports to Mexico will be about 700,000 tons, or about 12 percent above what would have occurred without NAFTA. For the industry, revenues are expected to be up by $400 to $500 million.

Coarse grains: The United States has traditionally supplied most of Mexico's corn imports in the late 1980's, about 80 percent of Mexico's corn imports originated in the United States. As corn tariffs decline, corn exports to Mexico will likely increase steadily. At the end of the 15-year transition period, U.S. exports of corn to Mexico are projected to be about 6 million metric tons. This is almost 60 percent above the level which would have been expected had there been no NAFTA. By the end of the transition period, industry revenues for coarse grains will likely increase by $400 to $500 million due to NAFTA.

Dairy: Dairy access will improve and Mexican income and population growth will expand the market for U.S. dairy products. Mexican imports of U.S. milk powder are expected to grow by about 20,000 metric tons by the end of the transition period.

At present, world prices, the additional imports would add $235 to $255 million in revenue for the dairy industry.

Pork: Mexico has been a growing market for U.S. pork and hogs, despite high tariffs. Mexico has been the most important buyer of U.S. hogs and accounts for about one quarter of U.S. pork exports. Lower tariffs, removal of other barriers, and higher incomes in Mexico will expand its market for pork. However, reduced Mexican import barriers on grain and other feeds will reduce Mexican feed costs and make Mexican pork producers more competitive with U.S. producers. While U.S. export growth may moderate over time, U.S. exports of pork and hogs to Mexico are expected to more than double by the end of the transition period. U.S. producer prices will likely be about $1.00 per hundredweight higher than without NAFTA, adding $150 to $200 million in revenue to the industry.

Beef: NAFTA is expected to increase U.S. exports of cattle and beef products. U.S. beef trade with Mexico will nearly double with the agreement. Due to the size of Mexican imports and exports relative to the U.S. market, NAFTA will have small effects on total U.S. cattle production and prices. By the end of the transition, projected increases in cattle prices will create an added $200 to $400 million in revenue for the cattle and beef industry.

Vegetables: Under NAFTA, U.S. imports of some Mexican vegetables will likely increase, including fresh cucumbers and tomatoes. Any price effects on the U.S. industry are expected to be modest and be moderated by the 10- or 15-year transition periods and the special safeguards.

The European Community, Chile, and Mexico provide the largest share of imported processed tomatoes to the American market. A reduction of import tariffs from Mexico may increase its share of the U.S. import market.

Imported processed cucumbers are only a small proportion of all prepared and preserved cucumbers and NAFTA will likely have only a minor effect on the U.S. industry.

U.S. exports of some vegetables, such as tomatoes are expected to increase as Mexican duties are eliminated. Fresh and processing tomatoes, along with potatoes and onions, are the biggest U.S. vegetable exports to Mexico.

NAFTA and the continued phase out of Canadian tariffs under the U.S.-Canadian Free Trade Agreement will increase U.S. exports of some commodities to Canada, including tomato paste.

## GREAT LAKES PORTS

Ms. Kaptur. How does shipping through the St. Lawrence compare to other ports? What is the cost of shipping from Ohio through Great Lakes via shipping by rail to the East Coast? Where does commercial trade flow? Are there U.S. bottoms operating on the Great Lakes?

Mr. Collins. Most U.S. grain exports are moved to international markets through U.S. Gulf ports because of the availability of low cost river transportation and the proximity of major wheat producing areas to those ports. In calendar year 1991, U.S. Gulf Ports accounted for 70.0 percent of U.S. exports of grains and oilseeds, followed by Pacific ports with 21.1 percent, Atlantic coast ports with 3.5 percent, and Great Lakes ports with 3.4 percent. In calendar year 1981, U.S. Gulf Ports accounted for 61.0 percent of U.S. exports of grains and oilseeds, followed by Pacific ports with 18.0 percent of exports. At that time, however, Atlantic ports accounted for 10.3 percent and Great Lakes ports accounted for 8.7 percent of total U.S. grain and oilseeds exports.

Great Lakes ports have always had several competitive disadvantages in the export of U.S. grain relative to other U.S. ports. For instance, the significant draft limitations of the Welland Canal effectively limit ships serving Great Lakes ports to one-half the size of grain vessels serving Gulf ports. Great Lakes ports also have a voyage distance disadvantage relative to other U.S. ports in serving

most export destinations except countries on the European continent.

Several factors explain the shift away from the usage of Great Lakes ports in the export of U.S. grains and oilseeds. First, the European countries to which Great Lakes ports have always had a competitive advantage over other U.S. ports have shifted from net importers to net exporters of grains and oilseeds. European export subsidies on oilseed products have also taken away world markets for U.S. sunflowerseed, almost all of which is exported from Great Lakes ports. Finally, the small, high-cost vessels serving the U.S. Great Lakes are also more likely to be idled relative to the larger vessels serving the Gulf coast when U.S. grain exports and the demand for dry bulk ocean capacity are low.

Grain moved into export markets from Ohio has generally been railed to export position at the Atlantic Coast or barged down the Ohio River depending on the origination region within Ohio. Ocean freight costs on grain exports from Great Lakes ports to major North African destinations in 1990 averaged $25.32 per metric ton (MT), while average ocean rates from Atlantic ports were $21.65 MT and from Gulf ports were $20.74 MT to the same destinations. Generally, any southern Ohio grain within trucking distance of the Ohio River will be trucked to the river for eventual export at New Orleans. Grain outside of economical trucking distance from the Ohio River on the south or Toledo on the north will be shipped by railroad to Atlantic coast ports for export. In 1990, Ohio rail shippers moved over 908,000 MT of corn, soybeans and wheat to Atlantic ports, while only 50,000 MT of corn, soybeans and wheat were shipped by railroad to Toledo for export. Average cost for rail movement of Ohio grain to Atlantic coast ports was $12.81 MT in 1990. The small amount of Ohio grain exported from Toledo is almost entirely truck-delivered.

Because of their significantly-higher operating costs, U.S.-flag vessels are currently used only to the extent that their use is mandated under cargo preference regulations. Operation of U.S.-flag vessels on the Great Lakes has become less frequent after provisions in cargo preference regulations which set-aside a certain portion of cargo preference cargo for Great Lakes ports expired in 1990.

Mr. Durbin. We are going to break now to vote and return.

Mr. Collins, we will probably be back at 2:30 and maybe even a minute or two earlier. We will give the remaining Members a chance to ask questions, and then we will go the Inspector General's Office.

Mr. Skeen. I would like to continue this discussion on NAFTA.

Mr. Durbin. Fine.

[Recess.]

Mr. Durbin. If we could resume the hearing at this point, and let the record note we got back before we promised we would. That has got to be a first in the history of Congress, let alone the Subcommittee.

My colleague, Mr. Skeen of New Mexico, had a few questions of Mr. Collins.

NAFTA

Mr. SKEEN. Let's go back to this NAFTA situation. I know there is alot of anxiety on the part of the American farm producer. Did we learn anything from the negotiations on the Canadian Free Trade Agreement as an aftermath of which we had problems associated with dumping of hogs? How much correction do we have in these agreements for situations where we have a problem with domestic production?

Mr. COLLINS. That is a tough question to answer, but I would have to say we have already learned a few things. I will mention at least one in a minute.

As far as correction goes, that is difficult. There are dispute resolution processes under the agreement, and so far we have relied on those dispute resolution process and bi-national panels that are created to investigate various issues that arise.

The one area most recently where we think we have probably learned something has been in the dumping case that we brought against Canada with respect to wheat, particularly durum wheat in the United States. The FTA binational panel just ruled on that last week. And what they determined was kind of upsetting to those people in the department that had worked hard on that case, and that was the question of transparency. When are you selling below an acquisition price? And this has to do with the operations of the Canadian Wheat Board.

I think the problem there was back during the negotiations we agreed on what acquisition price meant. Today when we look at what it means we think it is something very different; back during the negotiations we agreed that an acquisition price was an initial payment made by the Canadian Wheat Board to wheat producers. Today we think that is not at all an acquisition price. An acquisition price ought to include the attendant marketing charges that go along with it, those additional costs should be built into the acquisition price.

So I don't know what recourse the U.S. Government will have after the finding of that panel, but I would say that the Government thought they had a very strong case, that there were a number of instances of the Canadian Wheat Board selling below acquisition price, but the binational panel found there were no such cases, mainly because their determination of the acquisition price was much lower than ours.

Mr. SKEEN. Outside of agriculture, we had another incident involving that trade agreement that we had to sue for, and that was the potash dumping. I am just wondering, if a lot of American agricultural producers are concerned about the competition from Mexico, don't they realize that competition is inherent and existing now. The Mexicans can export to us anything we want, but we don't have access to their market. Their tariffs are around 10 percent and ours is around 4.

Does that disparity cause any problem, or would there be a wholesale shift because of the openness of the trade? I don't see it that way. I don't particularly believe that it is a great threat.

Mr. COLLINS. Well, you know, I think that my comments earlier to Ms. Kaptur——

Mr. SKEEN. I listened very intently.

Mr. COLLINS. What we are talking about is a total amount of export increase, in the neighborhood of $2 billion in the year 2008, on top of what exports would otherwise be. And I don't know what they would be in the year 2008, but they would have to be much more than the $42 billion we already have.

From that point of view you could argue that NAFTA is a small deal for U.S. agriculture. If you look at our agricultural imports, we haven't released a number, but we are talking about hundreds of millions of dollars, which again, percentage-wise, is very, very small. But if it is concentrated in certain commodities, Ms. Kaptur's points are very well-taken. It could cause a great deal of dislodging of people and production in certain areas of the country.

Getting back to the point on tariffs, it is true that Mexicans have had access to our market. If you look at our vegetable production in the United States, it is about $12 billion worth of production a year. Our vegetable imports are less than a billion for Mexico, about $800 million. So Mexico only represents a tenth of our production. But they have had access to our market, they have been coming in. But it is not an open market on our side.

It is true their market has been more restrictive, not just from tariffs, as you mentioned, but from Mexican import licenses in particular. That has been more a factor we think for many commodities. On our side, we have a number of commodities that are very high in tariffs. Tomatoes are not one of them. Our tariff rates in tomatoes, percentage-wise, run something like 5 to 7 percent. But we have a number of other commodities. Ones we think we will feel some impact on such as cauliflower, broccoli and onions, where our tariffs run 25 to 35 percent. So those are fairly protected markets. When those tariffs come down then we will see more imports of those commodities.

Mr. SKEEN. That is the reason I wanted to examine what happens if you run into a problem. How much latitude do we have under these free trade agreements. I think we have established that we do have some latitude, but it is rather narrowly confined.

Mr. COLLINS. I suggest that when the Office of General Counsel is up here to testify before you, you press them on that issue.

Mr. SKEEN. I shall. Thank you.

### FARM INCOME

Mr. DURBIN. In your fourth point you talked about net cash farm income. If I am not mistaken, you said this year it will be up some $4 billion from last year.

Mr. COLLINS. From $58 to $64 billion. At this point in the year we only publish a range on that.

Mr. DURBIN. What I am trying to understand if you can tell me is, does that take into account anticipated additional deficiency payments?

Mr. COLLINS. Yes, sir, it does. Yes.

Mr. DURBIN. So if we are spending another $7.5 billion on deficiency payments and we see net farm income increase by $6 or $8 billion, is it fair to say that the farm economy is producing at

about the same level overall, and that the increase in income is attributable to extra government payment?

Mr. COLLINS. I would say that is correct. If you look at the market receipt side that farmers will put into their books this year, market receipts for livestock may be down a little bit, crops pretty close to last year, expenses up a little bit. That could be a little bit of a squeeze compared with a year ago in income, if it weren't for the Government payments. And they won't go up by $7 billion.

The increase in outlays, CCC price and income support outlays, is $7 billion. But part of that is loan outlays, for example, particularly in corn.

CORN DEFICIENCY PAYMENTS

Mr. DURBIN. Do you break down this net farm income in categories of producers that would give program crop producers, predominantly program crop producers, an idea of their change in income? It has been my impression, just looking curbstone, that if the price of corn goes down to $2 a bushel, if you multiply that price times the production in the United States, it roughly comes out the same every year. So $2.30 a bushel for corn will be a much lower yield, and vice versa.

I am trying to establish whether or not the deficiency payments which we are making, in fact, are supplementing lost income for those producers. Do we have any way of knowing that?

Mr. COLLINS. They are supplementing lost income to program participants. Certainly not the 15 percent or so of corn acreage that is not in the programs. Those people are on their own. I think it is supplementing participants income but not wholly.

Deficiency payments cannot make a producer whole. And the reason is that they apply to a national average program yield of about 104 bushels. Producers this year harvested 130 bushels. Their harvest yields run 10 to 15 bushels higher on average nationally. So they lose that market return on those additional bushels.

In fact, we have looked at the percent of production, U.S. production, that is covered by farm program payments, deficiency payments, and for most crops it runs about 60 percent. And the reason it is that low is because the difference between actual and program yields, and the difference between permitted acres and payment acres, because of the flex acres, the triple base acres, so deficiency payments can cushion the drop when market prices fall, but it is not a one for one.

FARM INCOME

Mr. DURBIN. Please provide for the record the latest figures showing the source of income for large and small farms for the last 10 years.

Mr. COLLINS. USDA has a new approach to estimating the income of farm operator households. The method it replaces relied on assumptions regarding the farm income the farm operator household received from farming. The past estimates overstated the farm income component of the farm operator household income. The new data contained in the table I will submit are not available prior to 1988.

[The information follows:]

SOURCE OF FARM OPERATOR HOUSEHOLD INCOME FOR SMALL AND LARGE FARMS

| Farm size and year | Average household income | | | Off-farm income as a percent of total |
|---|---|---|---|---|
| | Farm income to households | Off-farm income | Total income | |
| Small farms (economic size of $50,000 or less): [1] | | | | |
| 1988 | −$3,136 | $32,085 | $28,950 | 111 |
| 1989 | −3,235 | 29,198 | 25,963 | 112 |
| 1990 | −3,387 | 37,276 | 33,889 | 110 |
| 1991 | −2,677 | 36,244 | 33,566 | 108 |
| Large farms (economic size of $500,000 or more): [1] | | | | |
| 1988 | 113,446 | 29,486 | 142,932 | 21 |
| 1989 | 162,242 | 32,606 | 194,849 | 17 |
| 1990 | 118,035 | 32,698 | 150,733 | 22 |
| 1991 | 118,462 | 33,271 | 151,733 | 22 |

[1] Economic size of farm is based on the gross sales and direct government payments of the farm business and landlords.

Note.—The population of farm operator households excludes those operators who manage nonfamily corporate farms for a salary or who do not share in the net income of the farm business. They account for 1–2 percent of all farms.

Source: Farm Costs and Returns Surveys, Economic Research Service, USDA.

## FARM INCOME

Mr. Durbin. Please provide for the record the latest figures showing farm income for the last ten years, including gross income, production expenses, net farm income, and net cash income. Please explain for the record the difference between net income and net cash income.

Mr. Collins. The following definitions and the table I will submit for the record give farm income and expenses for the U.S. agricultural sector.

[The information follows:]

Cash income measures cash earnings of the farm business, including sales of previous years' production out of inventories. This cash income is available for debt service and family expenses. Net cash income is gross cash income less cash expenses (including share rental expenses).

Net farm income is a measure of the sector's contribution to the Nation's Gross Domestic Product. Net farm income is total gross income minus total production expenses. Total gross income is the sum of gross cash income, nonmoney income (home consumption and rental value of operator dwellings), and an adjustment for sales of previous years' production. Total production expenses include cash expenses and noncash expenses (capital consumption and prerequisites to hired labor).

FARM INCOME IN CURRENT YEAR DOLLARS [1]

[In billions of dollars]

| | Gross cash income | Production expenses | Net farm income | Net cash income |
|---|---|---|---|---|
| 1983 | 151.1 | 139.6 | 14.2 | 38.4 |
| 1984 | 156.1 | 141.9 | 26.1 | 37.4 |
| 1985 | 157.8 | 132.4 | 28.8 | 47.1 |
| 1986 | 152.8 | 125.1 | 31.0 | 47.8 |
| 1987 | 165.1 | 128.7 | 39.7 | 55.3 |
| 1988 | 171.9 | 133.9 | 40.6 | 57.4 |

FARM INCOME IN CURRENT YEAR DOLLARS [1]—Continued

[In billions of dollars]

| | Gross cash income | Production expenses | Net farm income | Net cash income |
|---|---|---|---|---|
| 1989 | 179.9 | 141.2 | 50.1 | 59.4 |
| 1990 | 186.0 | 145.1 | 50.8 | 61.8 |
| 1991 | 183.2 | 144.9 | 44.6 | 58.0 |
| 1992F | 185.0 | 145.0 | 50.6 | 59.8 |

[1] Historical data are from Economic Indicators of the Farm Sector, National Financial Summary, 1991, USDA, Econ. Res. Ser., ECIFS 11-1, Jan. 1993.

Note.—F=forecast as of February, 1993.

## LAND VALUES

Mr. DURBIN. Please provide for the record the latest figures showing changes in land values in major areas during the last ten years.

Mr. COLLINS. The table I will submit shows changes in farm real estate values by year for major regions.

[The information follows:]

AVERAGE PER-ACRE FARM REAL ESTATE VALUES BY FARM PRODUCTION REGION, 1982–92 [1]

[Dollars per acre]

| Region | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | Percent change 1982–92 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Northeast | 1,364 | 1,343 | 1,391 | 1,346 | 1,340 | 1,491 | 1,586 | 1,763 | 1,722 | 1,703 | 1,712 | 26 |
| Lake States | 1,234 | 1,160 | 1,147 | 952 | 797 | 707 | 788 | 819 | 841 | 906 | 915 | −26 |
| Corn Belt | 1,642 | 1,482 | 1,449 | 1,108 | 972 | 900 | 1,003 | 1,100 | 1,096 | 1,129 | 1,158 | −29 |
| North Plains | 547 | 528 | 518 | 412 | 360 | 331 | 368 | 398 | 425 | 440 | 449 | −18 |
| Appalachia | 1,083 | 1,082 | 1,107 | 1,035 | 1,025 | 1,004 | 1,037 | 1,077 | 1,111 | 1,059 | 1,091 | 1 |
| Southeast | 1,095 | 1,095 | 1,105 | 1,068 | 1,038 | 1,055 | 1,130 | 1,194 | 1,253 | 1,254 | 1,212 | 11 |
| Delta | 1,135 | 1,038 | 1,074 | 1,012 | 880 | 757 | 781 | 797 | 782 | 797 | 771 | −32 |
| South Plains | 576 | 574 | 632 | 675 | 579 | 532 | 531 | 516 | 495 | 482 | 472 | −18 |
| Mountain | 325 | 314 | 327 | 300 | 267 | 257 | 257 | 260 | 267 | 286 | 288 | −11 |
| Pacific | 1,346 | 1,356 | 1,399 | 1,293 | 1,201 | 1,084 | 1,089 | 1,129 | 1,163 | 1,206 | 1,199 | −11 |
| United States [2] | 823 | 788 | 801 | 713 | 640 | 599 | 632 | 661 | 668 | 681 | 685 | −17 |

[1] Value of farmland and buildings.
[2] Excludes Alaska and Hawaii.

Source: Economic Research Service.

## PRICES PAID BY FARMERS

Mr. DURBIN. Please provide for the record the latest figures showing prices received and prices paid by farmers for the last ten years.

Mr. COLLINS. I will submit a table for the record that shows prices received for all farm products and paid by farmers for production items, interest, taxes, and wage rates from 1983 through 1992.

[The information follows:]

INDEX OF PRICES RECEIVED AND PAID BY FARMERS (1977-100)

| | Prices received | Prices paid |
|---|---|---|
| 1983 | 135 | 159 |
| 1984 | 142 | 161 |
| 1985 | 128 | 156 |
| 1986 | 123 | 150 |
| 1987 | 127 | 152 |
| 1988 | 138 | 160 |
| 1989 | 147 | 167 |
| 1990 | 150 | 172 |
| 1991 | 147 | 175 |
| 1992 | 139 | 174 |

Source: National Agricultural Statistics Service, USDA.

INCOME SPENT FOR FOOD

Mr. DURBIN. Please provide for the record the latest figures showing percent of income spent for food in the United States and other selected countries, including the Soviet Union.

Mr. COLLINS. The table I will submit compares the estimated 1992 expenditures for the consumption of food, beverages, and tobacco in the aggregate and the percentage by each component of personal consumption expenditure for a number of selected countries. People in the United States spend, on average, the least amount of their personal consumption expenditures on food compared to other countries. In comparison, people in the European Community spend more than twice as much of their total personal consumption expenditures for food, beverages, and tobacco then people in the USA. People in Japan spend nearly twice as much. People in Mexico and in the Commonwealth of Independent States spend better than 30 percent of their budgets for these items. In most countries where people spend a high percentage of their expenditures for food, total personal consumption expenditures are lower.

[The information follows:]

Estimates of food, beverages, and tobacco expenditures, 1992

| Country | Percent of personal consumption expenditure1/ | | | | | Expenditures2/ | |
|---|---|---|---|---|---|---|---|
| | Food | Non-alcoholic beverages | Alcoholic beverages | Tobacco | Food, beverages, and tobacco | Personal consumption | Food, beverages, and tobacco |
| | | | Percent | | | U.S. dollars per person | |
| United States | 6.8 | 1.2 | 1.3 | 1.1 | 10.5 | 15259 | 1606 |
| Canada | 11.7a/ | NA | 3.0 | 2.1 | 16.8 | 12592 | 2113 |
| Netherlands | 13.9 | 0.5 | 2.2 | 1.6 | 17.9 | 12760 | 2288 |
| New Zealand | 12.4 | 3.3 | NA | 2.3 | 18.0 | 7094 | 1277 |
| Hongkong | 17.0 | NA | 1.2 | 0.9 | 19.1 | 5896 | 1127 |
| Belgium | 16.4 | 0.4 | 1.2 | 1.6 | 19.6 | 13354 | 2613 |
| France | 16.3 | 0.5 | 2.0 | 1.1 | 20.0 | 13816 | 2759 |
| Japan | NA | NA | NA | NA | 21.0 | 1674 | 352 |
| Australia | 15.2 | NA | 4.5 | 1.8 | 21.6 | 9653 | 2081 |
| Austria | 16.7 | 0.7 | 2.1 | 2.3 | 21.8 | 12785 | 2786 |
| Germany, West | 20.0b/ | NA | NA | 2.0 | 21.9 | 10923 | 2397 |
| Denmark | 15.3 | 0.6 | 3.5 | 2.9 | 22.2 | 15221 | 3377 |
| Luxembourg | 13.6 | 0.7 | 1.5 | 6.4 | 22.2 | 13617 | 3020 |
| Sweden | 16.9 | 0.5 | 3.2 | 1.8 | 22.4 | 13554 | 3038 |
| United Kingdom | 12.7 | 0.9 | 7.2 | 2.5 | 23.3 | 10679 | 2487 |
| Spain | 20.1 | 0.5 | 1.4 | 1.6 | 23.4 | 8457 | 1980 |
| Italy | 20.6 | 0.3 | 1.2 | 1.7 | 23.8 | 1141 | 272 |
| Finland | 18.1 | 0.5 | 4.0 | 2.1 | 24.7 | 12444 | 3075 |
| Norway | 18.7 | 1.1 | 3.1 | 2.2 | 25.0 | 13692 | 3425 |
| Puerto Rico | 21.1 | NA | 3.3 | 1.7 | 26.1 | 5829 | 1521 |
| Switzerland | 19.5 | 7.0b/ | NA | NA | 26.5 | 19182 | 5090 |
| Singapore | 20.2 | 1.5 | 2.5 | 2.6 | 26.8 | 5960 | 1597 |
| Israel | 23.9 | 2.3 | 0.6 | 1.4 | 27.7 | 3237 | 896 |
| CIS3/ | 30.0b/ | NA | NA | NA | NA | 2329 | 699b/ |
| Portugal | 24.8 | 0.1 | 1.3 | 1.6 | 28.0 | 3009 | 843 |
| Zimbabwe | 13.4 | 8.3 | 9.9 | NA | 31.5 | 106 | 33 |
| Peru | NA | NA | NA | NA | 33.0 | 839 | 276 |
| Colombia | 29.5 | 1.1 | 3.9 | 1.0 | 35.4 | 300 | 106 |
| South Africa | 26.8 | 1.5 | 5.5 | 2.3 | 36.1 | 1006 | 363 |
| Ecuador | 31.0 | 1.5 | 2.7 | 2.0 | 37.1 | 146 | 54 |
| Venezuela | 36.9 | 5.5 | 7.0 | 2.3 | 37.5 | 473 | 177 |
| Mexico | NA | NA | NA | NA | 38.0 | 665 | 252 |
| Thailand | 29.5 | 3.4 | 4.0 | 2.3 | 39.2 | 737 | 289 |
| Korea, South | NA | NA | NA | NA | 39.6 | 2273 | 900 |
| Greece | 33.2 | 1.1 | 2.8 | 3.3 | 40.4 | 2897 | 1169 |
| Ireland | 22.8 | 1.5 | 11.8 | 4.2 | 40.5 | 7548 | 3058 |
| Jordan | 38.0 | 1.4 | NA | 1.8 | 41.4 | 822 | 340 |
| Malta | 29.3 | 3.7 | 4.9 | 3.8 | 41.6 | 4248 | 1769 |
| Honduras | 41.4 | 3.2 | NA | 0.6 | 45.2 | 696 | 315 |
| India | 51.9 | 51.9 | 0.1 | 2.0 | 55.2 | 117 | 64 |
| Sri Lanka | 47.0 | 0.5 | 2.6 | 5.5 | 55.8 | 246 | 138 |
| Philippines | 51.7 | 2.4 | NA | 1.9 | 56.0 | 404 | 226 |
| Sierra Leone | NA | NA | NA | NA | 68.5 | 122 | 83 |

NA = Not available. a/ Includes expenditures for nonalcoholic beverages. b/ Includes expenditures for nonalcoholic beverages and alcoholic beverages. 1/ Food that was consumed at home. 2/ Source of the expenditure data is the National Accounts Data Tape distributed by the United Nations.
3/ CIS = Commonwealth of Independent States.

### INVESTMENT COST

Mr. DURBIN. Please provide for the record the cost of establishing various types of farms, indicating a breakdown of the various costs involved.

Mr. COLLINS. I will submit a table for the record that shows average farm business assets reported in the 1991 Farm Costs and Returns Survey for farms of different sizes and for all crop farms versus all livestock farms. The actual establishment costs associated with fixed assets used in production will vary depending on the extent of debt financing utilized or amount of assets leased.

[The information follows:]

ASSET LEVELS FOR DIFFERENT SIZES AND TYPES OF FARMS, 1991

[Dollars per farm]

| | Economic class | | | | Farm type | | All farms |
|---|---|---|---|---|---|---|---|
| | $500,000 or more | $250,000 to $499,999 | $100,000 to $249,999 | Less than $100,000 | Crop | Livestock | |
| Farm business assets | 2,281,316 | 1,046,774 | 643,564 | 269,214 | 428,967 | 362,681 | 390,545 |
| Current assets | 532,045 | 176,552 | 106,120 | 29,574 | 62,191 | 51,895 | 56,223 |
| Livestock inventory | 147,471 | 43,438 | 25,333 | 5,052 | 3,725 | 18,562 | 12,325 |
| Crop inventory | 143,961 | 55,894 | 28,468 | 3,301 | 17,793 | 7,118 | 11,605 |
| Purchased inputs | 19,419 | 7,260 | 3,089 | 376 | 1,620 | 1,262 | 1,413 |
| Accounts receivable | 62,917 | 13,511 | 5,092 | 439 | 5,631 | 1,110 | 3,010 |
| Other assets [1] | 158,277 | 56,449 | 44,138 | 20,406 | 33,422 | 23,843 | 27,870 |
| Non-current assets | 1,749,271 | 870,222 | 537,445 | 239,639 | 366,776 | 310,786 | 334,322 |
| Land and buildings [2] | 1,346,719 | 642,805 | 395,289 | 204,846 | 302,541 | 248,281 | 271,090 |
| Operator's dwelling [3] | 67,364 | 53,693 | 45,287 | 46,820 | 48,469 | 46,648 | 47,413 |
| Farm equipment | 297,078 | 163,699 | 102,515 | 25,478 | 58,088 | 37,368 | 46,078 |
| Breeding animals | 93,786 | 56,389 | 35,998 | 9,044 | 4,086 | 24,566 | 15,956 |
| Investments in cooperatives | 11,688 | 7,329 | 3,643 | 271 | 2,061 | 571 | 1,198 |

[1] Includes prepaid insurance, certificates of deposit, checking and savings balances, and any other financial assets of the farm business.
[2] The value of the operator's dwelling and any associated liabilities were included if the dwelling was owned by the operation and located on the farm.
[3] Included in land and buildings.

Source: Farms Costs and Returns Survey, USDA.

### RETURNS TO EQUITY

Mr. DURBIN. Please provide for the record the latest figures showing the returns to equity for agriculture and nonfarm segments of the economy for the last ten years.

Mr. COLLINS. I will submit a table for the record that compares rates of return in farm and nonfarm investments from 1980 through 1992.

[The information follows:]

RATES OF RETURN TO EQUITY IN AGRICULTURE AND IN SELECTED NONFARM INVESTMENTS

[In percent]

| Year | Rate of return to farm equity [1] | Prime rate charged by banks [2] | 3-month Treasury bills [2] | Corporate bonds, Baa (Moody's) [2] | High-grade municipal (Standard and Poor's) [2] |
|---|---|---|---|---|---|
| 1980 | −0.6 | 15.27 | 11.51 | 13.67 | 8.51 |
| 1981 | 0.4 | 18.87 | 14.03 | 16.04 | 11.23 |
| 1982 | 0 | 14.86 | 10.69 | 16.11 | 11.57 |

RATES OF RETURN TO EQUITY IN AGRICULTURE AND IN SELECTED NONFARM INVESTMENTS—Continued

[In percent]

| Year | Rate of return to farm equity [1] | Prime rate charged by banks [2] | 3-month Treasury bills [2] | Corporate bonds, Baa (Moody's) [2] | High-grade municipal (Standard and Poor's) [2] |
|---|---|---|---|---|---|
| 1983 | −1.1 | 10.79 | 8.63 | 13.55 | 9.47 |
| 1984 | 0.9 | 12.04 | 9.58 | 14.19 | 10.15 |
| 1985 | 1.9 | 9.93 | 7.48 | 12.72 | 9.18 |
| 1986 | 2.1 | 8.33 | 5.98 | 10.39 | 7.38 |
| 1987 | 3.6 | 8.21 | 5.82 | 10.58 | 7.73 |
| 1988 | 3.1 | 9.32 | 6.69 | 10.83 | 7.76 |
| 1989 | 4.0 | 10.87 | 8.12 | 10.18 | 7.24 |
| 1990 | 4.0 | 10.01 | 7.51 | 10.36 | 7.25 |
| 1991 | 3.1 | 8.46 | 5.42 | 9.80 | 6.89 |
| 1992P | 3.9 | 6.25 | 3.45 | 8.98 | 6.41 |

[1] USDA-Economic Research Service (From current income only; excludes real capital gains/losses).
[2] "Economic Report of the President," January, 1993, pp. 428.

Note.—P = preliminary.

## FARM DEBT

Mr. DURBIN. Please provide for the record the latest figures showing farm debt for selected years since 1950 and comparison of debt-to-asset ratio and debt-to-net farm income ratio.

Mr. COLLINS. I will submit a table showing U.S. farm debt and selected financial ratios. The data include debts and assets of the farm operator households.

[The information follows:]

U.S. FARM DEBT AND SELECTED FINANCIAL RATIOS

| Year | Total farm debt (billion dollars) | Debt-to-asset ratio | Debt-to-net farm income ratio |
|---|---|---|---|
| 1950 | 12.3 | .080 | 0.2 |
| 1955 | 17.0 | .098 | 0.4 |
| 1960 | 24.8 | .118 | 0.7 |
| 1965 | 39.3 | .151 | 1.0 |
| 1970 | 52.8 | .163 | 1.5 |
| 1975 | 91.5 | .159 | 2.1 |
| 1980 | 178.7 | .164 | 9.5 |
| 1985 | 187.9 | .212 | 6.7 |
| 1987 | 153.7 | .169 | 4.4 |
| 1988 | 148.5 | .156 | 4.3 |
| 1989 | 146.0 | .148 | 4.0 |
| 1990 | 145.1 | .145 | 2.9 |
| 1991 | 147.0 | .146 | 3.3 |
| 1992F | 147.9 | .146 | 2.9 |

Source: Economic Research Service, USDA.

## PRODUCTIVITY

Mr. DURBIN. Please provide for the record the latest figures showing a comparison of output and productivity of farm and non-farm enterprises for the last ten years.

Mr. COLLINS. I will submit a table with the latest figures. Productivity is measured as a ratio of agricultural output to all production inputs including capital, labor, and other factors of production.

[The information follows:]

OUTPUT AND PRODUCTIVITY OF FARM AND NONFARM SECTOR, 1982=1.0

| | Agriculture | Nonfarm business[1] |
|---|---|---|
| Output: | | |
| 1980 | 0.906 | 1.017 |
| 1981 | 1.008 | 1.034 |
| 1982 | 1.000 | 1.000 |
| 1983 | .826 | 1.050 |
| 1984 | 1.021 | 1.138 |
| 1985 | 1.068 | 1.183 |
| 1986 | 1.033 | 1.218 |
| 1987 | 1.043 | 1.270 |
| 1988 | .973 | 1.343 |
| 1989 | 1.078 | 1.370 |
| 1990 | 1.125 | 1.372 |
| Average Annual Rates of Growth (percent) | 2.16 | 3.00 |
| Productivity: | | |
| 1980 | .854 | 1.028 |
| 1981 | .975 | 1.027 |
| 1982 | 1.000 | 1.000 |
| 1983 | .851 | 1.028 |
| 1984 | 1.030 | 1.057 |
| 1985 | 1.125 | 1.066 |
| 1986 | 1.117 | 1.079 |
| 1987 | 1.151 | 1.091 |
| 1988 | 1.095 | 1.119 |
| 1989 | 1.182 | 1.113 |
| 1990 | 1.227 | 1.101 |
| Average Annual Rates of Growth (percent) | 3.62 | 0.68 |

[1] Source: Bureau of Labor Statistics.

## NUMBER OF FARMS

Mr. DURBIN. Please provide for the record the latest figures showing the number of farms for selected years since 1950.

Mr. COLLINS. I will submit a table that shows the number of farms.

[The information follows:]

NUMBER OF FARMS IN THE UNITED STATES, 1950–92

| Year | Thousand farms | Year | Thousand farms | Year | Thousand farms |
|---|---|---|---|---|---|
| 1950 | 5,648 | 1965 | 3,356 | 1980 | 2,440 |
| 1951 | 5,428 | 1966 | 3,257 | 1981 | 2,440 |
| 1952 | 5,198 | 1967 | 3,162 | 1982 | 2,407 |
| 1953 | 4,894 | 1968 | 3,071 | 1983 | 2,379 |
| 1954 | 4,798 | 1969 | 3,000 | 1984 | 2,334 |
| 1955 | 4,654 | 1970 | 2,949 | 1985 | 2,293 |
| 1956 | 4,514 | 1971 | 2,902 | 1986 | 2,250 |
| 1957 | 4,372 | 1972 | 2,860 | 1987 | 2,213 |
| 1958 | 4,233 | 1973 | 2,823 | 1988 | 2,197 |
| 1959 | 4,097 | 1974 | 2,795 | 1989 | 2,171 |
| 1960 | 3,963 | 1975 | 2,521 | 1990 | 2,140 |
| 1961 | 3,825 | 1976 | 2,497 | 1991 | 2,105 |

NUMBER OF FARMS IN THE UNITED STATES, 1950–92—Continued

| Year | Thousand farms | Year | Thousand farms | Year | Thousand farms |
|---|---|---|---|---|---|
| 1962 | 3,692 | 1977 | 2,456 | 1992 | 2,096 |
| 1963 | 3,572 | 1978 | 2,436 | | |
| 1964 | 3,457 | 1979 | 2,437 | | |

Source: National Agricultural Statistics Service.

### NUMBER OF WORKERS

Mr. DURBIN. Please provide for the record the latest figures showing the number of farm and non-farm workers for selected years since 1950.

Mr. COLLINS. I will submit a table that shows the number of farm and non-farm workers.

[The information follows:]

ANNUAL AVERAGES OF EMPLOYED PERSONS, SELECTED YEARS 1950–92 [1]

[Thousands]

| Year | Total | Agriculture | Nonagricultural industries |
|---|---|---|---|
| 1950 | 58,918 | 7,160 | 51,758 |
| 1955 | 62,170 | 6,450 | 55,722 |
| 1960 | 65,778 | 5,458 | 60,318 |
| 1965 | 71,088 | 4,361 | 66,726 |
| 1970 | 78,678 | 3,463 | 75,215 |
| 1975 | 85,846 | 3,408 | 82,438 |
| 1980 | 99,303 | 3,364 | 95,938 |
| 1985 | 107,150 | 3,179 | 103,971 |
| 1986 | 109,597 | 3,163 | 106,434 |
| 1987 | 112,440 | 3,208 | 109,232 |
| 1988 | 114,968 | 3,169 | 111,800 |
| 1989 | 117,342 | 3,199 | 114,142 |
| 1990 | 117,914 | 3,186 | 114,728 |
| 1991 | 116,877 | 3,233 | 113,644 |
| 1992 | 117,598 | 3,207 | 114,391 |

[1] Employed persons in the civilian noninstitutional population age 16 and over.

Source.—U.S. Department of Labor, Bureau of Labor Statistics. Employment and Earnings. Various issues.

### POPULATION ON FARMS

Mr. DURBIN. Please provide for the record the latest figures showing what percent of the U.S. total population lived on farms for selected years since 1900.

Mr. COLLINS. I will submit a table comparing the farm population with the total population. The estimate of the 1992 farm resident population is 4.7 million or 1.9 percent of the total U.S. population. The current definition of a farm was established in 1974, therefore data for 1980 are presented for the current and previous definitions for comparisons purposes.

[The information follows:]

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## U.S. POPULATION, BY FARM RESIDENCE: 1900 TO 1992

[Numbers in thousands]

| Year | Total population | Farm population | |
|---|---|---|---|
| | | Number | Percent of total |
| 1992 | 251,442 | 4,665 | 1.9 |
| 1991 | 248,697 | 4,632 | 1.9 |
| 1990 | 246,081 | 4,591 | 1.9 |
| 1980 [1] | 226,546 | 6,051 | 2.7 |
| Previous farm definition: | | | |
| 1980 [1] | 226,546 | 7,241 | 3.2 |
| 1970 | 203,212 | 9,712 | 4.8 |
| 1960 | 179,323 | 15,635 | 8.7 |
| 1950 | 151,326 | 23,048 | 15.2 |
| 1940 | 132,165 | 30,547 | 23.1 |
| 1930 | 123,203 | 30,529 | 24,8 |
| 1920 | 106,022 | 31,974 | 30.2 |
| 1910 | 92,228 | 32,077 | 34.8 |
| 1900 | 76,212 | 29,875 | 39.2 |

[1] The 1980 farm population estimates are based on the population controls from the 1970 census and thus are not directly comparable to the estimates for 1990 and later years.

### CONSUMER FOOD EXPENDITURES

Mr. DURBIN. Please provide for the record the latest figures for consumer food expenditures showing farm value, cost between farmer and consumer and the farmer's share of the food dollar since 1950.

Mr. COLLINS. I will submit a table showing the consumer food expenditure figures and the farmer's share of the food dollar.

[The information follows:]

## MARKETING BILL AND FARM VALUE COMPONENTS OF CONSUMER EXPENDITURES FOR DOMESTICALLY PRODUCED FOODS

| Year | In billions of dollars | | | Farm value share of expenditures (percent) |
|---|---|---|---|---|
| | Consumer expenditures | Marketing bill | Farm value | |
| 1950 | 44.0 | 26.0 | 18.0 | 41 |
| 1955 | 53.1 | 34.4 | 18.7 | 35 |
| 1960 | 66.9 | 44.6 | 22.3 | 33 |
| 1965 | 81.1 | 54.0 | 27.1 | 33 |
| 1970 | 110.6 | 75.1 | 35.5 | 32 |
| 1975 | 167.0 | 111.4 | 55.6 | 33 |
| 1980 | 264.4 | 182.7 | 81.7 | 31 |
| 1981 | 287.7 | 206.0 | 81.7 | 28 |
| 1982 | 298.9 | 217.5 | 81.4 | 27 |
| 1983 | 315.0 | 229.7 | 85.3 | 27 |
| 1984 | 332.0 | 242.2 | 89.8 | 27 |
| 1985 | 345.4 | 259.0 | 86.4 | 25 |
| 1986 | 359.6 | 270.8 | 88.8 | 25 |
| 1987 | 375.5 | 285.1 | 90.4 | 24 |
| 1988 | 398.8 | 301.9 | 96.8 | 24 |
| 1989 | 419.4 | 315.6 | 103.8 | 25 |
| 1990 | 449.8 | 343.6 | 106.2 | 24 |
| 1991 | 468.5 | 367.0 | 101.5 | 22 |
| 1992 | 478.8 | 373.2 | 105.6 | 22 |

Source—Economic Research Service, USDA.

COST OF FOOD TO CONSUMER

Mr. DURBIN. Please provide for the record the latest figures showing the dollar cost of food to consumers in the United States and other selected countries.

Mr. COLLINS. The table I will submit includes prices for 1992, in U.S. dollars, for selected commodities as collected by the Foreign Agricultural Service. The aggregation of prices for this market basket of food was lower only in four capitals in the world than it was in metropolitan Washington and was the highest in Tokyo. People in Ottawa paid more for their food than people in Washington, but people in Mexico City paid less. Food prices in the five capitals of European Community countries, which were included in the survey, were higher than food prices in Washington.

[The information follows:]

Survey of average retail food prices in selected world capitals, June, 1992, converted to current exchange rates.1/

| ITEM | Bern | Bonn | Brasilia | Buenos Aires | Canberra | London | Madrid | Mexico City | Ottawa | Paris | Pretoria | Rome | Seoul | Stockholm | Tokyo | Washington D.C. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. dollars per kilogram (or other unit as indicated) | | | | | | | | | | | | | | | |
| Steak, sirlion, boneless | 32.99 | 14.49 | 2.76 | 6.68 | 8.09 | 20.77 | 16.30 | 5.93 | 9.11 | 15.93 | 7.02 | 14.55 | 27.78 | 26.25 | 56.77 | 10.14 |
| Roast, pork, boneless | 12.25 | 7.34 | 2.66 | 8.10 | 3.75 | 10.75 | 9.54 | 7.44 | 8.20 | 10.23 | 3.27 | 10.11 | 5.38 | 25.80 | 16.06 | 10.87 |
| Broilers, whole | 4.44 | 2.82 | 0.81 | 2.94 | 2.74 | 3.56 | 3.43 | 2.44 | 3.07 | 7.24 | 2.65 | 4.69 | 3.35 | 7.83 | 6.06 | 1.92 |
| Eggs, large, dozen | 4.61 | 3.21 | 0.52 | 1.82 | 1.37 | 2.28 | 1.98 | 0.96 | 0.74 | 1.96 | 0.95 | 2.17 | 2.71 | 3.30 | 1.33 | 0.80 |
| Butter | 10.90 | 4.96 | 3.37 | 5.57 | 2.89 | 4.63 | 8.19 | 3.46 | 5.76 | 5.54 | 4.03 | 7.70 | 8.88 | 7.10 | 10.78 | 3.75 |
| Cheese, cheddar or Emmenthaler | 13.66 | 9.99 | 3.99 | 1.21 | 4.85 | 8.53 | 11.90 | 7.37 | 10.65 | 8.97 | 5.70 | 9.68 | 12.01 | 10.99 | 12.43 | 8.22 |
| Milk, whole, liter | 1.25 | 0.79 | 0.63 | 0.86 | 0.71 | 0.89 | 0.92 | 0.53 | 1.34 | 1.11 | 0.79 | 1.11 | 1.21 | 1.07 | 1.37 | 0.67 |
| Oil, cooking, liter | 3.41 | 1.13 | 0.63 | 2.33 | 1.72 | 1.69 | 3.66 | 1.44 | 1.82 | 2.46 | 1.62 | 1.08 | 1.79 | 6.57 | 2.81 | 1.70 |
| Potatoes | 0.98 | 0.57 | 0.33 | 0.81 | 0.74 | 1.00 | 0.94 | 1.89 | 1.14 | 1.43 | 0.98 | 0.81 | 1.76 | 1.12 | 2.88 | 1.19 |
| Apples | 2.53 | 2.46 | 0.77 | 2.83 | 1.87 | 1.99 | 2.63 | 2.02 | 1.92 | 3.61 | 0.87 | 2.83 | 5.17 | 3.13 | 5.40 | 2.54 |
| Oranges | 1.46 | 1.66 | 1.27 | 2.83 | 1.50 | 1.82 | 1.17 | 0.90 | 1.81 | 2.34 | 0.72 | 2.02 | 4.68 | 1.93 | 3.80 | 1.37 |
| Flour | 1.40 | 0.58 | 0.51 | 0.86 | 1.13 | 0.87 | 0.99 | 0.47 | 1.00 | 2.20 | 0.91 | 0.65 | 0.41 | 1.32 | 1.47 | 0.60 |
| Rice | 2.15 | 2.46 | 0.48 | 3.34 | 0.95 | 1.74 | 2.29 | 1.01 | 1.83 | 1.40 | 1.14 | 2.50 | 2.01 | 2.89 | 2.74 | 1.52 |
| Sugar | 1.09 | 1.20 | 0.44 | 0.76 | 0.73 | 1.12 | 1.27 | 0.61 | 0.21 | 9.87 | 0.73 | 1.11 | 0.77 | 1.28 | 1.79 | 0.97 |
| Coffee | 9.12 | 9.70 | 2.50 | 6.48 | 9.29 | 10.48 | 7.28 | 5.11 | 7.62 | 1.32 | 10.75 | 10.32 | 12.61 | 7.22 | 25.36 | 6.22 |
| Total | 102.25 | 63.36 | 21.65 | 47.42 | 42.34 | 72.13 | 72.49 | 41.57 | 56.21 | 75.61 | 42.12 | 71.32 | 90.51 | 107.80 | 151.05 | 52.47 |

Source: Foreign Agricultural Service

1/ Exhange rates are those in effect when survey was conducted in June 1992.

WORK EFFORT REQUIRED TO PURCHASE COMMODITIES

Mr. DURBIN. Please provide for the record the latest figures showing the hours and minutes of work required to purchase various commodities in selected capitals in the world.

Mr. COLLINS. I will submit a table that shows the work required to purchase various commodities in selected capitals. Of the 16 capitals surveyed, only the people in the capitals of Australia and Canada had to work fewer hours to purchase the market basket than the people in metropolitan Washington. At the opposite end, people in the capital of Mexico had to work about 4 times longer than the people in metropolitan Washington.

The June 1992 wage rate was estimated for all countries using an index of wage rates published by the International Monetary Fund. The reference year was set to 1991 for the capitals of Argentina, Australia, Brazil, Canada, Germany, Korea, Japan, Mexico, South Africa, and United States, to 1990 France, Sweden, and United Kingdom, to 1989 for France and Switzerland, to 1987 for Italy and Spain.

[The information follows:]

Time spent by workers to earn retail value of food products in selected world capitals, June 1992

| ITEM | Bern | Bonn | Brasilia | Buenos Aires | Canberra | London | Madrid | Mexico City | Ottawa | Paris | Pretoria | Rome | Seoul | Stockholm | Tokyo | Washington D.C. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Hours and minutes per kilogram | | | | | | | | | | | | | | | |
| Steak, sirloin, boneless | 1.53 | 1.02 | 1.29 | 2.04 | 0.43 | 1.38 | 1.42 | 2.26 | 0.41 | 2.05 | 1.37 | 1.12 | 5.00 | 1.33 | 3.17 | 0.53 |
| Roast , pork, boneless | 0.42 | 0.31 | 1.25 | 2.30 | 0.20 | 0.51 | 0.60 | 3.03 | 0.37 | 1.20 | 0.45 | 0.50 | 0.58 | 1.31 | 0.56 | 0.57 |
| Broilers, whole | 0.15 | 0.12 | 0.26 | 0.54 | 0.15 | 0.17 | 0.22 | 0.60 | 0.14 | 0.57 | 0.36 | 0.23 | 0.36 | 0.28 | 0.21 | 0.10 |
| Eggs, large, dozen | 0.16 | 0.14 | 0.17 | 0.34 | 0.07 | 0.11 | 0.12 | 0.24 | 0.03 | 0.15 | 0.13 | 0.11 | 0.29 | 0.12 | 0.05 | 0.04 |
| Butter | 0.37 | 0.21 | 1.48 | 1.43 | 0.16 | 0.22 | 0.51 | 1.25 | 0.26 | 0.43 | 0.55 | 0.38 | 1.36 | 0.25 | 0.37 | 0.20 |
| Cheese, Cheddar, Emmenthaler | 0.47 | 0.42 | 2.08 | 0.22 | 0.26 | 0.40 | 1.15 | 3.01 | 0.48 | 1.10 | 1.18 | 0.48 | 2.10 | 0.39 | 0.43 | 0.43 |
| Milk, whole, liter | 0.04 | 0.03 | 0.20 | 0.16 | 0.04 | 0.04 | 0.06 | 0.13 | 0.06 | 0.09 | 0.11 | 0.06 | 0.13 | 0.04 | 0.05 | 0.03 |
| Oil, cooking, liter | 0.12 | 0.05 | 0.20 | 0.43 | 0.09 | 0.08 | 0.23 | 0.35 | 0.08 | 0.19 | 0.22 | 0.05 | 0.19 | 0.23 | 0.10 | 0.09 |
| Potatoes | 0.03 | 0.02 | 0.11 | 0.15 | 0.04 | 0.05 | 0.06 | 0.46 | 0.05 | 0.11 | 0.13 | 0.04 | 0.19 | 0.04 | 0.10 | 0.06 |
| Apples | 0.09 | 0.10 | 0.25 | 0.52 | 0.10 | 0.09 | 0.17 | 0.50 | 0.09 | 0.28 | 0.12 | 0.14 | 0.56 | 0.11 | 0.19 | 0.13 |
| Oranges | 0.05 | 0.07 | 0.41 | 0.52 | 0.08 | 0.09 | 0.07 | 0.22 | 0.08 | 0.18 | 0.10 | 0.10 | 0.51 | 0.07 | 0.13 | 0.07 |
| Flour | 0.05 | 0.02 | 0.16 | 0.16 | 0.06 | 0.04 | 0.06 | 0.12 | 0.05 | 0.17 | 0.13 | 0.03 | 0.04 | 0.05 | 0.05 | 0.03 |
| Rice | 0.07 | 0.10 | 0.15 | 1.02 | 0.05 | 0.08 | 0.14 | 0.25 | 0.08 | 0.11 | 0.16 | 0.12 | 0.22 | 0.10 | 0.09 | 0.08 |
| Sugar | 0.04 | 0.05 | 0.14 | 0.14 | 0.04 | 0.05 | 0.08 | 0.15 | 0.01 | 1.17 | 0.10 | 0.06 | 0.08 | 0.05 | 0.06 | 0.05 |
| Coffee | 0.31 | 0.41 | 1.20 | 1.60 | 0.50 | 0.50 | 0.46 | 2.06 | 0.34 | 0.10 | 2.28 | 0.51 | 2.16 | 0.26 | 1.28 | 0.32 |
| Total | 5.51 | 4.29 | 11.34 | 14.38 | 3.47 | 5.42 | 7.35 | 17.01 | 4.14 | 9.52 | 9.39 | 5.55 | 16.18 | 6.22 | 8.43 | 4.34 |

## AGRICULTURAL EXPORTS AND IMPORTS

Mr. DURBIN. Please provide for the record the latest figures showing agricultural exports and imports for the last ten years and the forecast for calendar year 1993.

Mr. COLLINS. I will provide a table showing agricultural exports and imports for the last ten years and the forecasts for calendar year 1993.

[The information follows:]

### U.S. AGRICULTURAL EXPORTS AND IMPORTS

[In millions of dollars]

| Year | Agricultural exports | Agricultural imports [1] |
|---|---|---|
| 1980 | 41,233 | 17,366 |
| 1981 | 43,339 | 16,772 |
| 1982 | 36,627 | 15,389 |
| 1983 | 36,099 | 16,627 |
| 1984 | 37,804 | 19,334 |
| 1985 | 29,041 | 19,986 |
| 1986 | 26,222 | 21,440 |
| 1987 | 28,709 | 20,402 |
| 1988 | 37,080 | 20,954 |
| 1989 | 39,933 | 21,749 |
| 1990 | 39,363 | 22,770 |
| 1991 | 39,191 | 22,719 |
| 1992 | 42,929 | 24,624 |
| 1993 forecast | 42,500 | 24,500 |

[1] Imports for consumption, Customs value basis.

Source.—Economic Research Service, USDA.

## EXPORTS

Mr. DURBIN. Please provide for the record the latest figures showing the share of major crops exported for the last ten years and the forecast for the 1992 marketing year.

[The information follows:]

### EXPORT SHARES OF PRODUCTION BY MAJOR CROP [1]

[In percent]

| | Wheat | Corn | Sorghum | Soybeans | Cotton | Tobacco |
|---|---|---|---|---|---|---|
| Crop year: | | | | | | |
| 1980 | 64 | 36 | 51 | 57 | 53 | 34 |
| 1981 | 64 | 25 | 30 | 62 | 42 | 28 |
| 1982 | 55 | 22 | 25 | 55 | 44 | 29 |
| 1983 | 59 | 45 | 50 | 60 | 87 | 37 |
| 1984 | 55 | 24 | 34 | 44 | 48 | 31 |
| 1985 | 38 | 14 | 16 | 48 | 15 | 36 |
| 1986 | 48 | 18 | 21 | 55 | 69 | 41 |
| 1987 | 76 | 24 | 32 | 57 | 45 | 36 |
| 1988 | 78 | 41 | 54 | 49 | 40 | 35 |
| 1989 | 61 | 31 | 49 | 44 | 63 | 36 |
| 1990 | 39 | 22 | 40 | 41 | 50 | 30 |
| 1991 | 65 | 21 | 50 | 49 | 38 | 30 |
| 1992 forecast | 55 | 17 | 34 | 46 | 37 | 30 |

[1] Soybean exports include soybean meal.

Source: Economic Research Service, USDA.

CCC INVENTORIES

Mr. DURBIN. Please provide figures showing quantities of major commodities of CCC inventories as of the end of fiscal year 1992, compared with other selected periods of time over the last 50 years.

Mr. COLLINS. I will submit a table that shows the quantities of various program commodities owned by CCC at the end of selected fiscal years.

[The information follows:]

CCC-OWNED INVENTORIES OF MAJOR COMMODITIES, SELECTED YEARS

| Commodity | Units | Fiscal year [1] | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 1948 | 1958 | 1968 | 1978 | 1983 | 1988 | 1992 |
| Crops: | | | | | | | | |
| Wheat | M.Bu | 33 | 835 | 402 | 50 | 368 | 246 | 151 |
| Corn | ...do | 0 | 1,028 | 136 | 13 | 1,166 | 803 | 91 |
| Sorghum | ...do | 0 | 312 | 192 | 13 | 176 | 472 | 5 |
| Barley | ...do | 0 | 86 | 6 | 0 | 4 | 36 | 6 |
| Oats | ...do | 0 | 30 | 45 | 2 | 1 | 3 | 0 |
| Soybeans | ...do | 0 | 31 | 8 | 0 | 21 | 6 | 0 |
| Rice [2] | M.Cwt | N.A. | 12 | 0 | 11 | 24 | 0 | 0 |
| Cotton [3] | M.Bales | 0 | 1 | 1 | 0 | 1 | 0 | 0 |
| Dairy: | | | | | | | | |
| Butter | M.Lbs | N.A. | 117 | 187 | 235 | 582 | 200 | 518 |
| Cheese | ...do | N.A. | 124 | 61 | 53 | 1,131 | 78 | 7 |
| Dried milk | ...do | 6 | 117 | 257 | 676 | 1,759 | 20 | 23 |

[1] Data are not available for years prior to 1946.
[2] Rough Basis.
[3] Upland only.

N.A. = Not available.

Mr. DURBIN. Thank you.

Mr. Peterson?

Mr. PETERSON. Thank you, Mr. Chairman.

NAFTA

I really don't know where to start. In Florida, the NAFTA agreement right now seems to be a battlefield in which we lost the battle.

Everything that you are talking about, the fruits, the vegetables, all of those kinds of products, are just going to be devastated in Florida. The processing, as Marcy was talking about, as well. It is going to move. It is out. It has gone. So we are having regional problems with this agreement far beyond its macro perspective.

In fact, it is my view, and I would like your comments, that we have pawned out certain areas of the country and/or their products in order to secure a better market for some of our more macro products, i.e. the grains.

Can you give me a feel for this? I just see a disaster in the making in our region, in an area where we already have a grain deficit.

The potential for transshipment which is a cause of concern. So, having adequate enforcement to make sure we are not bringing in

peanuts out of Argentina or elsewhere through that area with a big stamp on it saying "Mexico" is a grave concern.

PEANUTS

Mr. COLLINS. I can see why you didn't know where to start. There are a lot of issues there difficult to address. I think we too are concerned with peanuts. Let me start with the last one.

In the earlier work that we did in the fall, we really foresaw no problem with peanuts, no big increase in imports. In fact, there is some market in Mexico for U.S. peanuts.

The peanut industry has raised a number of issues with us that we want to take a look at. It seems pretty clear we will be providing a tariff rate quota on peanuts for Mexico. It would be like them taking advantage of the sugar quota that they have. They would have an opportunity to bring peanuts into the United States at $660 a ton, which is above the world price. You would think they would take advantage of that.

The quota is small for peanuts. It is only in the order of—oh, I can't remember, but it is like one-half of 1 percent of our production. It is very small.

The question will be over a 15-year period, will they increase production to fill that quota as it increases and is ultimately abolished? Over the last few years, peanut consumption in Mexico has risen faster than production. And I think that was one of the factors that led us to believe that over time, that we would be able to compete.

We of course don't know what our own peanut program will look like by the year 2008, but we have gone back now and are looking hard again at a number of commodities under NAFTA, and peanuts is one of them. Sugar is another one, because of these concerns about the quota itself and the extent to which Mexico could fulfill the quota.

Going back to your earlier point about trading off one region of the country for another region, I can't really answer that. I don't know what was in the minds of the negotiators. But I think the end result that was conceived was one that was almost independent of regional issues. It was simply to have a free trade area where there were no border measures on any commodity. It wasn't to pick out some commodities and protect some. It wasn't to go for free trade in some but not others. It was simply to go for free trade in all of them.

The path to that objective does try to take into account regional differences. In particular, there are import surge protection measures primarily for vegetables. I don't fully know to what extent they will be adequate, but what they do, again, is use the concept of a tariff rate quota, and the original quota is equal to import levels from Mexico during the 1989 to 1991 period, and then the tariff that is applied for any imports above, that the tariff is the lower of the tariff that was in effect when the agreement was struck or the Most Favored Nation tariff rate. And then it is that second level tariff that gets phased out over a 15-year period for these sensitive commodities.

Fifteen years is a long time, and it is very hard for us to know for sure. We can well be underestimating some of these effects. I just don't know for sure.

Mr. PETERSON. I just feel we have actually traded away some of our industries in this process. We have just taken an awfully big gamble. Either you have to have an incredible increase in consumption, or an incredible loss of production, or these industries, they can't be sustained. That is all there is to it.

So what we have here is a circumstance, at a point in time when this country is now dependent. It is going to be dependent on Mexico, in this case, because of the latitude lines, on fruits and vegetables and those kinds of things that we have been traditionally producing for ourselves. And then what is going to become of quality, what becomes of the inspection process for pesticides residue, et cetera, et cetera, et cetera, and I just don't know that these things have really been sought out.

Mr. COLLINS. I don't know either on all of those different issues. I think that one objective I will come away from this hearing with is to take a very hard look at vegetable processing industries in particular. And I say that because generally we have conceded that we are going to increase our imports of fresh vegetables from Mexico, and that that will be a competitive area for U.S. producers.

We have felt, though, since we were very efficient in processing and we have been shipping around the world, including to Mexico, recently processed vegetables, that we had some advantage there. I am not sure.

I think Ms. Kaptur's point, that if Mexico becomes a very large fresh vegetable producer it makes a lot of sense that American money, outside capital, will go in and develop processing facilities to process those vegetables, to freeze them and ship them to the United States. So that is something that we will take a further look at.

Mr. DURBIN. Will my colleague yield for a second?

Mr. PETERSON. Absolutely.

### CORN PRODUCTION

Mr. DURBIN. I am following your argument here. You had mentioned earlier that 50 percent of the farmers in Mexico today grow corn. There are a lot of corn growers and processors in the Midwest who are jumping with glee over the idea of NAFTA, believing they will ultimately be able to export and in a competitive way dominate the Mexican market once we get our opportunity.

It is 15 years from now that that is going to happen, but consider the dislocation in Mexico if that does occur, with 50 percent of their farmers now looking for something to do. And I don't think that your fear is unfounded that they are going to move toward other crops that might grow there. It is still going to be a pretty strong rural economy under most circumstances, and that certainly fits into your concern.

Mr. PETERSON. I appreciate your comments, and I know we can't settle it here, but I would ask you to engage in a real serious crystal ball look here. I know that is more than anyone is humanly capable of doing, but the agriculture community in some of these

States, and particularly Florida, is just about to go under. At this 15-year mark, we haven't played our cards right. If some of the things, projections that have been established are wrong, we are in serious trouble.

### ORANGE MARKET

Mr. COLLINS. In particular the orange market is now and will probably be a problem for Florida for a number of years to come. Orange juice prices are at a 16-year low now. Some of that is because of big production increases in Florida, big production increases in Brazil. But frozen concentrated orange juice is another commodity we think Mexico will do well in.

Mr. PETERSON. They are planting trees so fast down there now that we can't compete from a production standpoint.

Mr. DURBIN. Mr. Pastor?

### CREDIT

Mr. PASTOR. One of the concerns that I have heard expressed by my constituents is the credit crunch, that many can't get credit or their bankers aren't extending the credit they did before. Is this just in the Southwest, or is this common throughout this Nation? And what is it doing to the agriculture industry?

Mr. COLLINS. I certainly hear reports from farmers who have a problem getting credit. I think we have looked at this question from an aggregate perspective. Loan deposit ratios in agricultural banks are fairly low right now, so it would suggest to us that loanable funds are there, and of course interest rates that farmers are paying for loans are also low.

So the question becomes not so much the availability of loanable funds, because they seem to be there, but the lending practices of the banks. And I think that there is adequate capital and good farmers are getting access to it.

One of the problems that has arisen is in the past if you go back into the 1970s and early 1980s, a lot of lenders were willing to lend on the basis of farm asset values, and of course the average farm in the United States has assets about $400,000, and that provided an ability to get into the bank and get some loanable funds.

More and more banks in recent years have gone to focusing more on projected income stream, particularly market income stream, exclusive of government payments. That particularly in a commodity like cotton where we see 52 cent prices combined with low yields in Arizona. I would see where that would be a problem, them projecting the kind of cash flow to get the kind of loan they have had in the past.

Mr. DURBIN. I have one final question. You made the point that the rural economy has rebounded even better and faster than the urban economy in this recession? Do you have any thoughts as to what the reasons are for that?

Mr. COLLINS. The rural economy appears to have rebounded faster than the urban economy, but we do not have sufficient data at this time to fully explain the differences. I will provide additional evidence of this trend for the record.

[The information follows:]

Employment data from the Current Population Survey (CPS) provide the best available evidence for a stonger rural recovery. In the fourth quarter of 1992 seasonally-adjusted rural employment was 4.1 percent above it low point for the 1990–91 recession (the third quarter of 1991) and 2.1 percent above its prerecession level. By contrast, urban employment in the fourth quarter of 1992 was just 0.5 percent above its low point and had not regained its pre-recession level.

Stronger recovery of job growth in rural areas caused the rural unemployment rate to dip below the urban rate in 1992 for the first time since 1979. According to seasonally-adjusted CPS data for the fourth quarte of 1992, the rural unemployment rate was 6.9 percent, moderately lower than the urban rate of 7.5 percent. Nonetheless, the rural unemployment rate is still above its prerecession level of 5.6 percent in the first quarter of 1990. Although these data indicate a faster rural economic recovery, the full extent of the rural rebound can not be fully assessed until income and production data are available for rural and urban areas.

Although a full explanation for the faster economic rebound of rural areas is still being developed, the industrial composition of the 1990–91 recession probably played a key role. The 1990–91 recession was characterized by long-term retrenchments in financial services, nonresidential constructin, and defense—disproportionately urban industrial sectors. Although the national economic recovery began in the Spring of 1991, these "down-sizing" sectors appear to have beena significant drag on economic activity in the urban areas where they are most concentrated, particularly urban areas in the Northeast and Southern California. By contrast, sectors with stronger rural orientatins fared better. For example, employment grew in nondurable manufacturing and farmincome has been quite strong.

The faster reboun of rural than of urban employment in 1992 contrasts with the recovery following the 1981–82 recession, when rural areas lagged urban areas. Manufacturing, mining, and agriculture—all sectors that are more concentrated in rural than in urban areas—were especially hard hit by the 1980–82 recession. In contrast, service industries—which are more concentrated in urban areas—continued to add jobs.

Mr. DURBIN. Thank you very much. Your testimony was excellent. I thank your colleagues for joining you. We look forward to working with you.

Mr. COLLINS. Thank you, Mr. Chairman.

[The prepared statement follows:]

**STATEMENT OF**
**KEITH COLLINS**
**ACTING ASSISTANT SECRETARY FOR ECONOMICS**
**U.S. DEPARTMENT OF AGRICULTURE**
**BEFORE**
**THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON**
**RURAL DEVELOPMENT, AGRICULTURE AND RELATED AGENCIES**

February 16, 1993

Mr. Chairman and members of the Subcommittee, I welcome the opportunity to discuss the outlook for U.S. agriculture and rural America for the coming year. I will submit for the record a detailed statistical appendix and use this testimony to summarize the outlook.

**Agriculture and the Economy**

The economic activity in U.S. agriculture has effects that are magnified throughout the National economy. Our economic research program tracks this activity, and related issues, from the input industries, such as agricultural chemicals, through to food processing and retailing. It is well known that farming itself is a fairly small part of the national economy. The Gross Domestic Product (GDP) originating on farms accounts for less than 2 percent of the U.S. GDP, and farm sector employment is about 2 percent of total employment. In fact, farm debt, farm investment, farm program costs and farm population are all less than 2 percent of their national totals. But, these statistics tell only a narrow part of agriculture's economic story. Let me start with a more complete picture.

- The GDP of the entire food and fiber system--which includes farm input, farm production, and food processing and

distribution activities--is over $850 billion per year or 16 percent of the U.S. GDP.

- Employment in the food and fiber system is 21 million jobs, 17 percent of U.S. employment.

- Agricultural exports of $42 billion annually account for about 12 percent of total U.S. exports, and agriculture is the single largest positive contributor to the net trade balance. Farm exports alone generate 900,000 jobs on the farm and in related industries.

- Consumer spending on food exceeds $600 billion per year, over one-sixth of total U.S. personal consumption expenditures.

- Farm income accounts for over 25 percent of the total income in nearly 450 rural counties, and farm employment is over 25 percent of total employment in 380 rural counties.

Farming is part of a complex web of economic activity and farm economic changes can be widely distributed.

**Outlook Overview**

The economic situation for U.S. agriculture is generally sound, although there are areas of concern in the near-term outlook. The state of the rural economy is mixed, with job growth improving, but slowly, and the long-term problem of low incomes persisting. Economic growth has picked up since last summer, but U.S. unemployment remains above 7 percent. Participation in domestic food assistance programs remains high, and the rural poverty rate continues to exceed the urban rate.

Looking ahead through 1993, macroeconomic conditions are expected to improve with real Gross Domestic Product (GDP) growth

exceeding 1992's 2.1 percent. Continued low inflation and interest rates will benefit agriculture and rural America. Food price increases are expected to be moderate and consistent with overall inflation. The President's economic stimulus package is expected to help cement some of the recent general economic gains. The package is expected to include enough of a fiscal stimulus to boost investment and raise consumer confidence but not overheat the economy.

Several foreign developments pose a risk to the U.S. recovery and expanding farm exports. Key foreign markets, notably Japan, and countries in western Europe, are now deep in economic slowdowns. The Newly Independent States of the Former Soviet Union (FSU) face excessive inflation, negative economic growth, and serious debt repayment problems. In Eastern Europe growth continues negative during the difficult transitions to market-based economies.

The developing economies will offer a contrast in 1993 with their economic growth expected to be 5-6 percent, up from 1992's estimated 4.6 percent. Economies in the Pacific Rim countries, the Middle East, and Latin America, particularly Mexico, are expected to accelerate. Implementation of NAFTA would stimulate beneficial increases in regional trade, although modestly at first. For the longer term, success in the Uruguay Round would lead to more substantial benefits for agriculture and other sectors from more open global trade.

For 1992/93, U.S. agricultural exports are expected to be $41.5 billion, slightly below last year's $42.4 billion, which

was the second highest ever. Lower grain and cotton prices are expected to reduce the export value of these crops. The agricultural trade balance is expected to be a surplus of $17.5 billion this year.

With some exceptions, U.S. weather was particularly favorable for agriculture last year, leading to record yields for a number of crops. After 6 years of drought, this winter's precipitation has rebuilt reservoir levels in California. This year's winter grain crops, are about to come out of dormancy in favorable condition.

Overall crop production was up 10 percent in 1992 due to the excellent weather, resulting in record corn, soybean, grain sorghum, barley, and oat yields. Despite rising total demand, the greater production is lowering prices of several crops and raising Commodity Credit Corporation (CCC) outlays for 1992/93.

In the livestock sector, total meat and poultry production grew 4½ percent in 1992. Production is expected to be up 3 percent in 1993, but with a stronger economy, livestock prices are expected to remain near last year's averages. Lower feed prices will help maintain profitability. Milk prices have been declining for several months and are expected to average lower in 1992/93.

Net cash farm income is expected to remain at about the 1990-92 average level. Net farm income, which includes cash and noncash income and expenses and adjusts for inventory changes, is expected to decline from 1992's high level that reflected an inventory accumulation due to the large harvests. The farm

sector balance sheet is much improved from the mid-1980's and will likely show growth in both farm assets and debts during 1993. Farm sector assets are concentrated in real estate where a gradual upward trend in farmland values is expected to continue. No change is anticipated in the debt-asset ratio, which has been stable in the range of 16-17 percent since 1989.

Commodity Outlook

Grains

Led by sharp increases in the United States and the FSU, world wheat and coarse grain production rebounded strongly in 1992/93 and is close to the 1990/91 record high. In the United States, record corn, grain sorghum, barley, and oat yields and near-record wheat yields pushed U.S. grain output up 26 percent. Grain production in the FSU increased 20 percent but was still below pre-1991 levels. These gains are offsetting a large decline in European production.

Global wheat and coarse grain consumption is expected to be record high but nearly a 30-million-ton increase in global carryover stocks is expected, with the U.S. accounting for all of the increase. World exports are expected to decline about 5 percent, mainly due to reduced imports in the FSU and China. Excluding these countries, imports are up.

Wheat. World wheat production is up 2.5 percent in 1992/93 and use is down. Global stocks are expected to rise to their highest level in 4 years. With more production and weaker use, global wheat exports are forecast down 5 percent in 1992/93, but U.S. exports are expected to rise 4 percent.

The U.S. market share is about 36 percent, up four percentage points from last year. Larger demand in India, North Africa, and other countries is offsetting reduced demand in China and the FSU. With the exception of the European Community (EC), wheat exports are lower from our major export competitors. Moreover, quality problems in Canada and aggressive use of the Export Enhancement Program (EEP) are adding to U.S. export growth.

With strong exports, U.S. ending stocks are expected to remain around 500 million bushels for 1992/93, leaving the stocks-to-use ratio about 20 percent, an unusually low level. Reflecting this, farm wheat prices during the first 7 months of 1992/93 have averaged 35 cents per bushel above a year earlier. An uncertainty in the outlook is the FSU; without a fairly quick resumption of U.S. exports to that region, exports would be lower and carryover stocks higher.

For 1993/94, the wheat Acreage Reduction Program (ARP) is 0 percent, down from 5 percent this season. Even so, reported winter wheat seedings are up only 1 percent. Production may be close to this year's level and higher stocks and lower prices are anticipated.

Coarse Grain. Global coarse grain production rose over 5 percent in 1992/93 on the strength of the record U.S. corn crop. Foreign production fell 3 percent while U.S. production increased 27 percent. World use is expected to increase this season but only by about half of the increase in production, thus

leading to increased carryover stocks, with the U.S. holding most of the stock increase.

World coarse grain trade will be down, but with foreign exports also down, U.S. exports will be up nearly 4 percent. This will raise the U.S. share of world coarse grain trade to 57 percent, compared with 53 percent in 1991/92.

Despite larger exports and a projected 10-million-ton increase in domestic feed use, U.S. coarse grain stocks will nearly double during 1992/93. Ending stocks of corn are projected at 2.2 billion bushels, double the carryin level, and the forecast stocks-to-use ratio is 27 percent. This is a large 1-year increase, but the ratio is still below the previous 10-year average.

Record production with only moderate demand growth means lower prices and higher government payments for corn in 1992/93. Corn is forecast to average $1.90-$2.20 per bushel for the season, compared with $2.37 in 1991/92. For 1993/94, the corn ARP is 10 percent, up from 5 percent last year. The higher ARP and lower prices suggest a moderate drop in corn plantings in 1993. Stocks will likely be reduced and prices may average a little higher.

<u>Rice</u>. Despite a record large global rice crop in 1992/93, global use is forecast to exceed production for the second consecutive year. However, large crops in Asia will likely keep global imports in calendar 1993 below 1992. Furthermore, large exportable supplies among the major exporters, including the United States, will likely mean U.S. prices below a year ago.

Competition for export markets will be keen among the major traders, including Thailand, Vietnam, and the United States.

U.S. production is at a near-record level in 1992/93, 14 percent above 1991/92, boosting U.S. supplies to the second highest on record. Much of the production increase is due to higher planted area following a reduction in the ARP to 0 percent from 5 percent in 1991. Lower prices are expected to keep U.S. rice more competitive in global markets, with U.S. rice exports forecast to increase by 14 percent. The U.S. season-average price is expected to be one-fifth below the $7.58 per hundredweight average of 1991/92.

For 1993, lower rice prices and a 5 percent ARP, up from 0 percent in 1992, are expected to reduce rice plantings. Carryover stocks are likely to decline and prices rise moderately.

**Oilseeds**

World oilseed production is forecast up slightly to a record high in 1992/93 on the strength of a near-record U.S. soybean crop and expected larger South American soybean production. EC oilseed production is down about 1 million tons. In the United States, exceptionally favorable weather and concentration of acreage in higher yielding regions resulted in a record 37.6 bushel/acre soybean yield in 1992, and a crop second in size only to 1979/80 when 71 million acres were planted. Production of cottonseed, peanuts, and flaxseed decreased, and except for safflower, production of minor oilseeds was lower.

Only small increases are expected in global use of protein meals and vegetable oils in 1992/93. Growth is slowed by consumption declines in Eastern Europe and the FSU. Despite the modest growth in global use, U.S. soybean exports for the 1992/93 season are forecast at 20.3 million tons, up 9 percent from 1991/92. The U.S. share of world soybean and soybean meal trade is expected to reach 42 percent, compared with 41 percent last year and 36 percent 2 years ago. Reduced world supplies of other oilseeds have provided a lift to world soybean use and U.S. soybean exports. Soybeans have been more attractive than soybean meal to importers because of improved vegetable oil prices and crusher margins, particularly in Western Europe. The U.S. share of world soybean exports is rising while the share of soybean meal exports is expected to slip slightly.

With the large U.S. crop in 1992, the season-average price for soybeans is forecast to average 5-20 cents per bushel below the $5.60 a bushel during 1991/92. Soybean prices received some price support from generally tighter world vegetable oil markets and limited South American supplies last fall. A record domestic crush, driven by domestic meal demand, has also supported prices. Soybean ending stocks are expected to rise to 355 million bushels, compared with carryin stocks of 278 million bushels. In 1993, a return to average yields would mean lower production and stocks and slightly higher season-average prices.

__Cotton__

World cotton supply and demand developments during the early 1990's have been highlighted by volatile production, but rather

stable consumption and trade. In 1991/92, record output of 96 million bales exceeded use by 11 million, boosting global stocks to a 5-year high. However, this season production and use at nearly 86 million bales are in close balance. But, global stocks remain relatively high at slightly more than 40 million bales, keeping prices under downward pressure.

The 1992/93 U.S. cotton outlook features a smaller crop, a little less use, and a moderate buildup in stocks. Despite a near-record yield, weather-reduced harvested acreage cut production 8 percent to 16.3 million bales. While total use is estimated down a little, reflecting smaller exports, domestic demand continues strong and mill use is rising slightly to an estimated 9.7 million bales, the highest level since the 1950's.

Despite projected U.S. stocks below the 1990 Farm Bill target level, preliminary farm-level U.S. prices for January averaged only 52.5 cents per pound, about equal to the loan rate and near the level of a year earlier. The low prices are generating record high deficiency and marketing loan payments for cotton producers.

In 1993/94, both production and use are expected to be larger. The ARP is down slightly from 10 percent to 7.5 percent. Domestic use is likely to increase and exports may recover from this season's reduced level. Economic recovery in Eastern Europe and the FSU and continuing production problems in China could strengthen the U.S. export potential in the coming year.

**Fruits, Vegetables and Other Crops**

The farm value of fruits, nuts, and vegetables was $21 billion in 1992, up about 2 percent from the previous year, and nearly one-fourth of the total U.S. crop value. Higher farm values of potato and grape production were major contributors to the value increase. However, a record apple crop in 1992 has lowered producer returns and a 25-percent increase in the 1992/93 citrus crop has caused a sharp downturn in prices. Higher prices for fresh market tomatoes in 1992 contrasted with much lower prices received for processing tomatoes.

U.S. exports of horticultural products hit a record $6.8 billion in fiscal year 1992, up 14 percent from the prior year. Exports are likely to increase more slowly this year because of slow economic growth in Canada, Japan, and Western Europe.

U.S. sugar production is forecast at a record 7.6 million short tons, raw value, in fiscal year 1993, up 4.4 percent from last year. Domestic sugar use is expected to rise about 1.5 percent to a little over 9 million short tons. Imports under quota continue to trend down, declining from 1.5 million tons last year to about 1.3 million tons, near the trigger for marketing allotments.

The U.S. tobacco crop was up 1 percent in 1992, and 1992/93 beginning stocks also were up. Receipts were a record high $3 billion. In 1993, reduced marketing quotas are likely to lower production and receipts.

The greenhouse and nursery industry continues to expand. Grower receipts are estimated at $8.8 billion in 1992, up 5 percent from the previous year. More robust growth is forecast for 1993.

**Livestock and Poultry**

Total U.S. livestock and poultry production is expected to increase about 3 percent in 1993, following an increase of around 4½ percent in 1992. Pork production is expected to be up 4 percent; poultry, 3 percent; and beef, up almost 2 percent. Lower feed grain and soybean prices will help maintain sector profitability in the face of stable-to-lower livestock and poultry prices.

Favorable returns for cow-calf operators and ample forage are stimulating a mild expansion in the cattle inventory. The expansion will boost feeder cattle supplies and support higher levels of beef output. Cattle on feed on January 1 was the highest level since 1979. A stronger economy in 1993 is expected to help offset the effect of larger beef supplies, and cattle prices this year are expected average near the 1992 level.

The expansion in pork supplies will place further pressure on hog prices. In 1992, hog prices fell about 13 percent from the 1991 average. Barrow and gilt prices for 1993 are forecast to decline slightly from the 1992 average of $43 per hundredweight.

Broiler production set a record in 1992, increasing 6 percent to nearly 21 billion pounds. However, large competing meat supplies in 1993 are expected to slow expansion. Broiler

prices in 1992 averaged 52.6 cents a pound; little change is anticipated for 1993.

Egg production is expected to remain about unchanged in 1993, after rising about 2 percent in 1992. Egg prices are forecast to increase in 1993 as pressure from the larger output eases.

Per capita consumption of red meat and poultry increased to 208.6 pounds (retail weight) in 1992 and is forecast to increase about 2 percent in 1993. Exports were up sharply in 1992 and the strongest markets were southeast Asia and Mexico. Slower export growth is expected this year.

Dairy

U.S. milk production in 1991/92 was up 2 percent, largely because of higher prices and strong increases in milk produced per cow, particularly during the cooler than normal summer months. Commercial use of dairy products increased about 2 percent. During 1992/93, milk production is expected to rise about 1 percent and commercial use, another 2 percent.

CCC net removals (milk equivalent, milkfat basis) of dairy products under the price support program are forecast to decrease to around 8 billion pounds in 1993 compared with 10.1 billion pounds in 1992. Purchases on a skim solids basis are expected to increase slightly.

The all-milk price in 1992/93 is expected to average $12.10-$12.80 per hundredweight, compared with $13.26 in 1991/92. Prices likely will be below the 1992 level through the summer before strengthening later in the year. Large exports under the

Dairy Export Incentive Program are expected to tighten markets during the year, helping to boost prices.

**Food Prices**

The Consumer Price Index (CPI) for food rose just 1.2 percent in 1992, compared with the 3.0 percent increase in the CPI for all items. Improvement in the general economy will likely add to consumer demand for food, causing some upward pressure on prices. And, general increases in processing and distribution costs will push retail food prices higher. The current forecast is for a 2-4 percent rise in the CPI for food during 1993.

Larger supplies and lower feed costs should hold down retail prices for meat and poultry. After two years of declines, egg prices will likely increase. After falling 0.3 percent in 1992, fruit and vegetable prices are expected to rise 1-2 percent. The largest increases are expected in cereals and bakery products, up 3.5-4.5 percent and other prepared foods, up 3-4 percent.

**Farm Income and Finance**

Estimated net cash farm income for 1992 is $60 billion, up $2 billion from 1991. Net cash farm income moved above $50 billion in 1987 and has plateaued during 1988-92 but at a record $58-61 billion. Underlying this income level has been relatively stable cash receipts, production expenses, and government payments.

Net cash income for 1993 is projected to be between $58 and $64 billion. The upper end of the range reflects potentially larger crop and livestock receipts and expected larger government

payments that will increase gross cash income, and offset a moderate increase in cash expenses.

Estimated net farm income for 1992 is $51 billion, up over $6 billion from 1991, mainly due to a large increase in the value of crop inventories. Net farm income is an estimate of the production value in U.S. agriculture and is used in the National Income and Product Accounts. In 1993, net farm income is expected to decline to $42-$48 billion.

Agriculture's general financial position reflects the overall income trends. Total farm asset values and farm debt have changed little since 1990, but remain much improved from the mid-1980's. During the 1980's, income and particularly asset values fell sharply, leaving farmers with large debt burdens relative to the assets and to the cash available to service debt. At the peak of the mid-1980's financial crisis, USDA estimated that over 10 percent of all farm businesses were vulnerable to bankruptcy; their incomes were below expenses and their debt-asset ratios exceeded 40 percent.

Using this measure, recent estimates show less than 5 percent of farms are now vulnerable, half the level of the mid-1980's. However, the percentage of marginal income farms--those with negative cash incomes but debt-asset ratios below 40 percent--account for 47 percent of all farms and 17 percent of farms having gross annual sales equal to or greater than $40,000.

**Farm Program Developments**

CCC outlays on price and income support programs in fiscal year 1993 are projected at $17.1 billion, over $7 billion above

fiscal year 1992. The increase reflects higher percentages paid for advance deficiency payments; lower feed grain and cotton prices, hence higher deficiency payments and loan outlays; and higher subsidy costs for export programs. The higher payments to farmers in 1993 are helping to maintain net cash farm income at the levels of recent years.

Farm program outlays are expected to decline sharply in fiscal year 1994, with feed grain loan program outlays declining and no disaster payments projected.

Acreage planted to principal crops is expected to decline slightly in 1993 as somewhat more acres are likely to be idled under farm programs. About 58 million acres are expected to be set aside or reduced under farm programs in 1993, compared with 54 million during 1992. More acres are expected in the 0-92 provision and more acres will be idled under the feed grain program. The Conservation Reserve Program is expected to account for over 36 million of the 58 million idled acres.

**Conclusion**

Commodity production and use have generally been near balance in the 1990's. In 1992/93 stocks have started to build for corn, rice, and to a lesser extent, cotton. Reflecting the increased supplies, prices of these crops have declined. Meat production has been record high, and livestock prices, with the exception of hogs and sheep, have been firm. The situation for horticultural crops has been variable depending on the crop, but overall production value is up and exports are growing.

The value of total agricultural exports is near record high, but the FSU remains an uncertain buyer and developed country economic growth is weak. High-value and processed product exports continue to show strength. In the longer term, the North American Free Trade Agreement (NAFTA) will create export opportunities in Mexico for U.S. producers. After full implementation, studies show that NAFTA would boost annual U.S. agricultural exports by $2 billion. A Uruguay Round agreement based on the Dunkel Text and the U.S.-EC agreement reached in November could increase annual U.S. farm exports by $4 billion per year after full implementation. Unresolved issues have prevented completion of an agreement.

Viewed against historical measures, farm income remains strong and steady, while asset values and equity have stabilized. Food price increases are likely to continue to be moderate, helping to slow increases in both the overall cost of living and the cost of our food assistance programs. Slow rural economic growth remains a continuing problem. Another concern is the rise in commodity program costs, but a decline is expected next year.

Mr. Chairman, that completes my statement. I would be pleased to address any questions you or the other members might have.

For release only by
the House Committee
on Appropriations

THE 1993 AGRICULTURAL OUTLOOK

Appendix to Statement by
Keith J. Collins
Acting Assistant Secretary for Economics
U.S. Department of Agriculture
before

The House Appropriations Subcommittee on
Rural Development, Agriculture and Related Agencies

February 16, 1993

The attached information reflects forecasts as of January 12, 1993.

CONTENTS

OVERVIEW OF 1993 PROSPECTS

* The farm economy performed well in 1992, continuing several years of high farm income and a healthy financial balance sheet for the farm sector. Prospects favor another good year for farmers in 1993. Consumers benefited last year from ample food supplies and the smallest rise in food prices in years. For 1993, abundant supplies will temper retail food price gains, even as a stronger economy raises demand.

* Production of both crops and livestock increased substantially in 1992, while growing domestic and foreign demand and tight stocks helped support farm prices, boosting cash receipts. Total farm production expenses declined, and net cash income increased by 4 percent to about $60 billion. Net farm income, which includes the value of farmers' inventories, bounced back, close to the 1990 high of $51 billion.

* Livestock production in 1993 will top last year's record. Crop production could be tempered if yields drop back to more normal levels. Consumption of farm products will continue to show healthy growth as U.S. and foreign economies expand at a faster pace. This will temper farm price declines in the face of large supplies. Farmers' cash receipts will remain near the record 1992 level. Government payments will increase with large deficiency payments and disaster payments authorized in 1992. Production expenses are expected to grow by 1 to 2 percent, leaving net cash income of $58 to $64 billion--close to last year's high level. Net farm income is expected to decline to a range of $42 to $48 billion as farmers sell off crops carried over from 1992.

* High incomes in recent years have helped farmers secure their financial position by reducing debt. Assets are increasing slowly. During 1993, farm debt, assets and equity all are forecast to increase by about 1 percent. The number of farms in financial distress remains quite low in comparison to the difficult years of the mid-1980's.

* U.S. economic growth is expected to pick up to about 3 percent in 1993 from 2.1 percent last year. Relatively high unemployment and low industrial capacity use should temper inflation despite stronger growth. A modest improvement in global economic growth and population growth will keep international demand for U.S. farm products strong.

* Retail food price are forecast to rise 2 to 4 percent in 1993 following a 1-percent increase last year. Stronger consumer demand is likely as incomes rise and economic growth picks up. Abundant supplies of crop foods, livestock products and fruit are likely to hold the farm value of foods stable. Low inflation will keep down costs in food processing and retailing.

* U.S. agricultural exports are forecast at $41.5 billion for fiscal year 1993, $800 million below the previous year but the third highest ever. Export volume is expected to hold steady, but lower prices are reducing total export value. Exports of high-value products will surpass bulk export value for the third year running. Stronger economic growth abroad will stimulate high-value exports.

67-445 O—93——11

* U.S. meat and poultry production will rise about 3 percent in 1993, following a 4-percent gain last year. A stronger economy will boost retail demand. Producer prices and retail meat prices in 1993 are expected to drop a little from 1992 levels.

* Beef production is likely to show modest growth, with higher cattle numbers and relatively low feed prices. Pork output, which shot up 8 percent in 1992, is expanding further, despite a squeeze on returns last year. Poultry output also is rising, but more slowly than in 1992.

* U.S. milk production is likely to hold steady in 1993 after rising nearly 2 1/2 percent last year. Higher output per cow is likely to offset a modest decline in cow numbers. For 1993, milk prices are forecast to drop by 50 cents per cwt. Milk use is being supported by a stronger economy and large exports under the Dairy Export Incentive Program.

* Crop production in 1993 is unlikely to match the high level of 1992. Acreage may drop in response to lower feed grain and soybean prices, and yields could recede closer to trend levels. Winter wheat plantings were 1 percent above the 1991 level as late harvest of crops in the South limited double cropping of wheat. Soil moisture for spring planting is the best in years east of the Rockies. The drought in the West is easing, but more precipitation is still needed to fully end it.

* U.S. wheat production was up 24 percent in 1992 as yields rose, but total wheat supplies for 1992/93 will barely increase because of low carryin stocks. With rising use, little increase in wheat stocks is foreseen this season. Reduced wheat supplies in competing countries and aggressive use of the Export Enhancement Program are contributing to larger U.S. wheat exports.

* Record corn yields were a major factor boosting U.S. coarse grain production 27 percent last year. Even though lower prices are spurring domestic use and exports during 1992/93, corn ending stocks are likely to double. However, they will remain well below the mid-1980's level.

* U.S. oilseed production is up nearly 7 percent for 1992/93, with a large increase for soybeans and reduced output of other oilseeds. Lower oilseed yields in China, the EC and Canada reduced foreign production. World soybean trade is rising, with the United States capturing most of the increase. U.S. soybean meal exports are down, but vegetable oil exports are strong.

* World cotton production for 1992/93 is down 10 million bales to 86 million. Supplies remain ample, however, because of large carryin stocks. Smaller harvested acreage cut the U.S. crop despite high yields. Domestic cotton use is rising in 1992/93 but exports are dropping a tenth. U.S. ending stocks are expected to increase.

* U.S. sugar production rose 4 percent in 1992/93 as hurricane damage in Louisiana and Hawaii was offset by better crops elsewhere. Domestic prices have been under pressure. Cash receipts from fruit and tree nut crops might increase in 1993 as growers market large apple and orange crops. Grower receipts for vegetables are projected up slightly this year, and greenhouse and nursery sales will continue upward.

## MACROECONOMIC OUTLOOK

* Most analysts are calling for continued growth in 1993. GDP is expected to grow about 3 percent, and, with relatively high unemployment rates and low industrial capacity use, inflation is projected to remain modest. Consumer prices are likely to rise about 3 percent in 1993. The growing economy is expected to put upward pressure on short-term interest rates, but continued low inflation should keep longer-term rates near their current levels.

* A modest improvement in global economic performance--from 1.5 percent in 1992 to 2.1 percent is expected in 1993, largely a consequence of a rebound in the U.S. The EC, however, will have close to zero real growth, with Germany in recession.

* While dismal consumer and investment spending continues to hold down growth in Japan, the economy will post a positive gain in 1993 on the strength of its export sector and income from foreign investments.

* Moderate, but more sustainable, expansion in Latin America is foreseen through the mid-1990s as the major economies, except Brazil, continue to break away from bad economic habits of the 1980s. Since 50 percent of the region's exports end up in the U.S., the U.S. recovery should more than make up for any decrease in export growth to Europe.

* Developing Asia will continue on its strong growth path of more than 6 percent in 1993. A favorable factor in the region's terms of trade is the significantly lower cost of imported petroleum. Export markets in Europe, Japan, and the former communist countries, however, are current poor prospects.

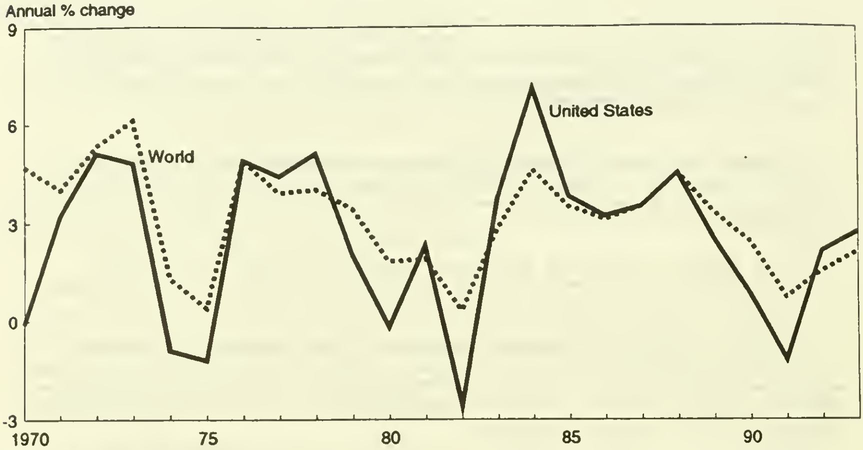
* The U.S. dollar is likely to appreciate against the German mark later in 1993 as interest rate differentials narrow. Against the yen, the dollar's exchange value will be influenced by whether a significant worsening of the bilateral trade imbalance occurs (the dollar depreciates), and whether a sizable portion of Japan's trade surplus is recycled into U.S. treasury bills and bonds, or other dollar denominated assets (the dollar appreciates). Overall, the dollar is seen as showing a real appreciation in 1993.

* In 1992, the U.S. economy grew 2.1 percent, with growth averaging more than 3 percent in the second half of the year. Consumer spending, which grew nearly 4 percent in the second half, led overall GDP growth. In real terms, disposable income grew 2.1 percent in 1992, the fastest growth since 1988. Interest rates fell through much of the year.

* Job growth did not keep pace with GDP growth in 1992. The unemployment rate finished the year at 7.3 percent, little changed from December 1991, after peaking at 7.7 percent in June 1992.

* Inflation was low in 1992. For the 12 months ending in December 1992, consumer prices were up 2.9 percent. Excluding food and energy, consumer prices rose only 3.5 percent during 1992, the best performance since 1972.

World and U.S. Economic Growth



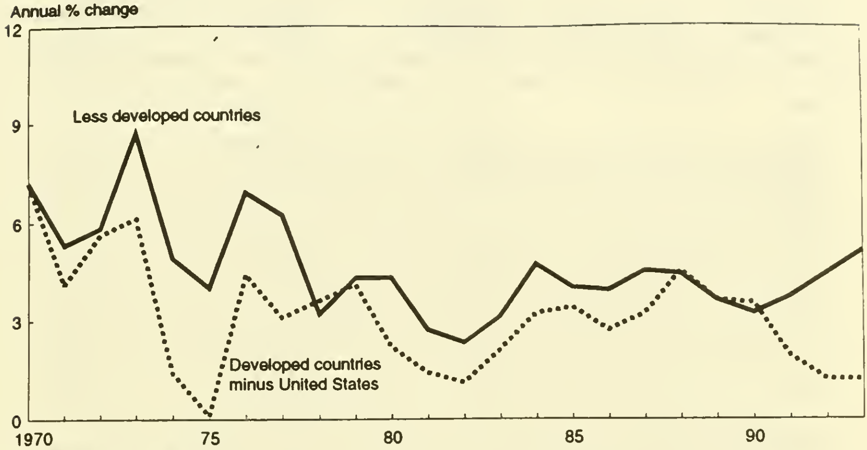

1992 preliminary. 1993 forecast.

Economic Growth

| Region | 1980-88 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | | | Percent change | | | |
| World | 2.9 | 3.3 | 2.4 | 0.7 | 1.5 | 2.1 |
| United States 1/ | 2.5 | 2.5 | 0.8 | -1.2 | 2.1 | 2.7 |
| World less U.S. | 2.9 | 3.5 | 3.0 | 1.4 | 1.3 | 1.7 |

P = Preliminary. F = Forecast.
1/ Official U.S. 1993 forecast. Other forecasts by ERS.

Economic Growth Abroad




1992 preliminary. 1993 forecast.

Foreign Economic Growth

| Region | 1980-88 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | | | Percent change | | | |
| Developed Countries Less U.S. | 2.7 | 3.6 | 3.5 | 1.9 | 1.2 | 1.2 |
| Less Developed Countries | 3.8 | 3.6 | 3.2 | 3.7 | 4.4 | 5.1 |

P - Preliminary. F - Forecast.

U.S. Economic Indicators

| Quarters | Real GDP 1/ | Inflation CPI-U 1/ | Interest rate 2/ | Unemployment rate |
|---|---|---|---|---|
| | | - - - - - - - Percent - - - - - - - | | |
| 1987 | | | | |
| I | 3.0 | 5.3 | 5.5 | 6.6 |
| II | 5.1 | 4.6 | 5.7 | 6.3 |
| III | 4.0 | 4.3 | 6.0 | 6.0 |
| IV | 5.9 | 3.8 | 6.0 | 5.8 |
| 1988 | | | | |
| I | 2.6 | 2.9 | 5.8 | 5.7 |
| II | 4.3 | 4.5 | 6.2 | 5.5 |
| III | 2.5 | 5.4 | 7.0 | 5.5 |
| IV | 3.9 | 4.4 | 7.7 | 5.3 |
| 1989 | | | | |
| I | 3.2 | 4.7 | 8.5 | 5.2 |
| II | 1.8 | 6.3 | 8.4 | 5.2 |
| III | 0.0 | 3.2 | 7.9 | 5.2 |
| IV | 1.5 | 4.1 | 7.6 | 5.4 |
| 1990 | | | | |
| I | 2.8 | 7.1 | 7.8 | 5.3 |
| II | 1.0 | 4.1 | 7.8 | 5.3 |
| III | -1.6 | 7.1 | 7.5 | 5.6 |
| IV | -3.9 | 6.9 | 7.0 | 6.0 |
| 1991 | | | | |
| I | -3.0 | 3.2 | 6.1 | 6.5 |
| II | 1.7 | 2.5 | 5.6 | 6.7 |
| III | 1.2 | 2.8 | 5.4 | 6.8 |
| IV | 0.6 | 3.6 | 4.6 | 7.0 |
| 1992 | | | | |
| I | 2.9 | 2.8 | 3.9 | 7.2 |
| II | 1.5 | 3.4 | 3.7 | 7.5 |
| III | 3.4 | 2.6 | 3.1 | 7.6 |
| IV | 3.8 | 3.3 | 3.1 | 7.3 |
| 1993 3/ | 2.7 | 2.8 | 3.5 | 6.9 |
| 1994 3/ | 3.1 | 2.9 | 4.2 | 6.2 |

1/ Percent change from previous quarter, annual rate. 2/ Three-month Treasury Bill. 3/ January 1993 administration forecasts. Annual only. Seasonally adjusted data except for interest rates.

## FARM FINANCIAL CONDITIONS

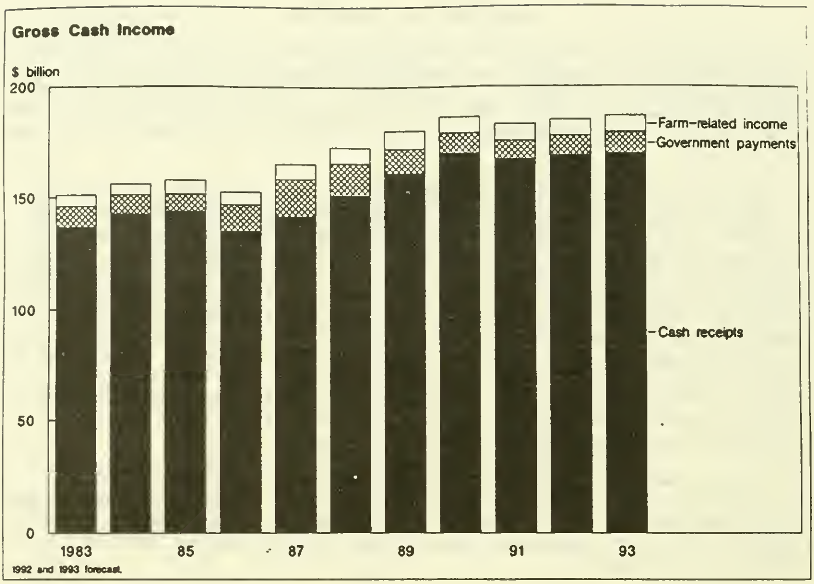
* The forecast for 1993 indicates total cash receipts for U.S. farmers near to just under 1990's record. Cash expenses, essentially steady for 1991 and 1992, are forecast up a modest 1 to 2 percent in 1993. With higher direct Government payments expected, 1993 net cash income will probably be in the $58 to $64 billion range, about the same as last year but 2 to 3 percent less than 1990's record.

* Cash receipts reached a record $169.9 billion in 1990. Crops accounted for $80.0 billion and livestock, $89.9. Crop receipts have risen each year since then, but livestock receipts (including dairy) have fallen. For 1993 crop receipts are currently forecast between $81 and $86 billion and livestock receipts are forecast between $83 and $87 billion. Wheat receipts in 1993 are down 2 percent but corn receipts are up 4 percent. Fruits, vegetables, and greenhouse products have been showing steady growth for several years. On the livestock side, red meat receipts have been falling in the 1990's while poultry and eggs have been relatively steady. Low milk prices in 1991 caused dairy receipts to drop 10 percent, but higher 1992 prices resulted in a recovery. Milk prices for 1993 are currently forecast down 4 to 5 percent but slightly higher annual production will offset some of the price effect, leaving 1993 dairy receipts down about 3 to 4 percent.

* Direct Government payments (principally deficiency, disaster, and conservation rental payments) reached a record $16.7 billion in calendar year 1987. They declined each subsequent year through 1991. Due largely to $1.2 billion in disaster assistance, payments rose in 1992 and for 1993 are forecast to rise again.

* Total production expenses (both cash and noncash) were unchanged for 1990-1992. Low feed and feeder livestock prices benefitted livestock producers. Steady to decreasing energy prices and falling interest rates benefitted everyone. For 1993, total expenses are forecast up, but feed and feeder livestock expenses will likely remain at 1992's level or fall slightly. Fertilizer prices are forecast up, offsetting any decrease in crop acreage and causing expenses to rise. Wage rates are expected to continue increasing, mainly affecting labor-intensive fruit and vegetable operations.

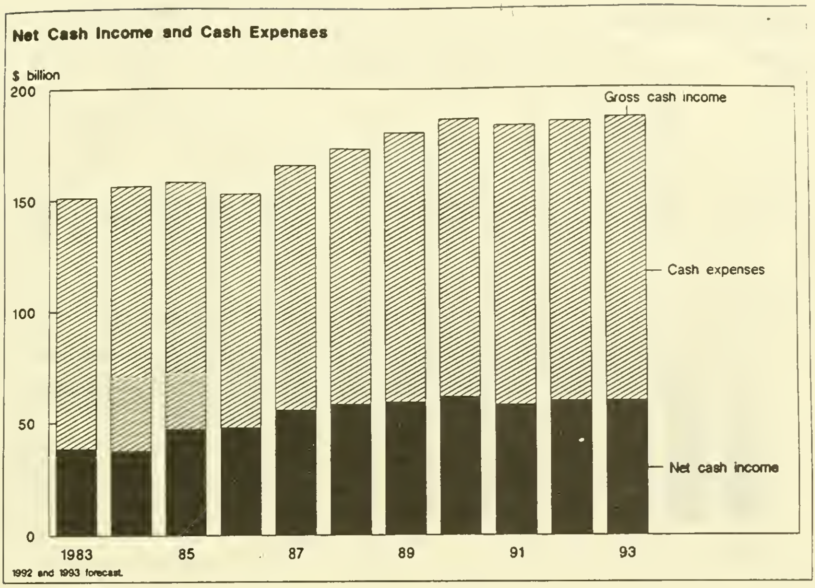
* A healthy level of farm income in 1993 is not likely to produce a significant rise in farm sector wealth. In a relatively strong 1993 farm economy, the financial performance outlook is for improved current profitability, but limited farm asset growth, slightly rising debt levels, and marginally higher equity. Farm business assets, debt, and equity are each expected to rise by at most 1 percent.




Gross Cash Income

| Item | 1988 | 1989 | 1990 | 1991 | 1992 F | 1993 F |
|---|---|---|---|---|---|---|
| | | | Billion dollars | | | |
| Cash receipts | 151.1 | 161.0 | 169.9 | 167.3 | 169 | 165-172 |
| Direct government payments | 14.5 | 10.9 | 9.3 | 8.2 | 9 | 9-13 |
| Farm-related income | 7.1 | 8.2 | 7.2 | 7.6 | 7 | 6-8 |
| Gross cash income | 172.7 | 180.2 | 186.4 | 183.2 | 185 | 183-191 |

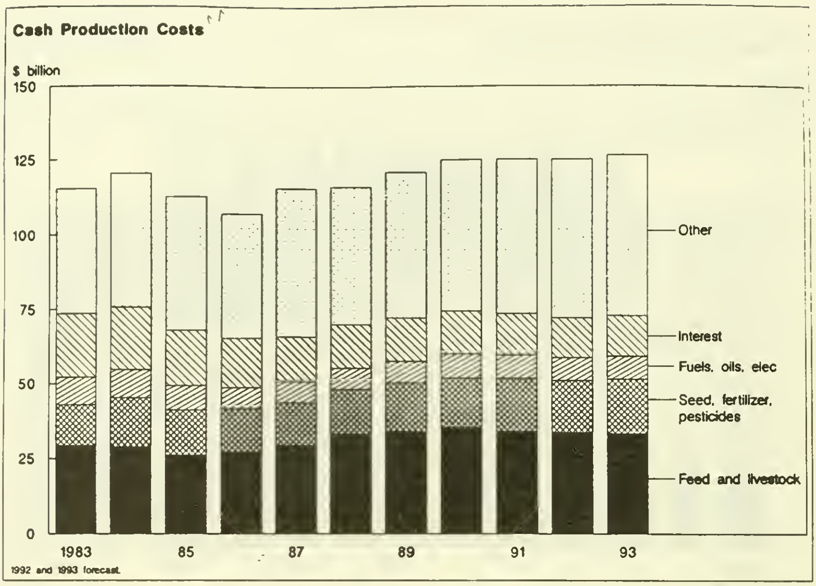
F - Forecast




Net Cash Income

| Item | 1988 | 1989 | 1990 | 1991 | 1992 F | 1993 F |
|---|---|---|---|---|---|---|
| | | | Billion dollars | | | |
| Gross cash income | 172.7 | 180.2 | 186.4 | 183.2 | 185 | 183-191 |
| Cash expenses 1/ | 114.6 | 121.2 | 125.2 | 125.2 | 125 | 123-129 |
| Net cash income | 58.1 | 58.9 | 61.3 | 58.0 | 60 | 58-64 |

F - Forecast. 1/ Excludes expenses associated with the operator dwelling.




Farm Production Cost Components

| Items | 1989 | 1990 | 1991 | 1992 F | 1993 F |
|---|---|---|---|---|---|
| | | | Billion dollars | | |
| Feed and livestock purchased | 34.1 | 35.5 | 34.2 | 34 | 30-36 |
| Seed, fertilizer, pesticides | 16.2 | 16.4 | 17.2 | 17 | 16-20 |
| Fuels, oils, and electricity | 7.3 | 8.2 | 8.0 | 8 | 7-9 |
| Total interest charges 1/ | 14.7 | 14.5 | 13.9 | 14 | 12-15 |
| Hired and contract labor | 11.1 | 12.5 | 12.6 | 13 | 12-14 |
| Capital consumption 1/ | 17.8 | 17.5 | 17.4 | 17 | 16-18 |
| Taxes and rent 1/ | 13.3 | 13.9 | 13.5 | 14 | 13-15 |
| Other costs 1/ | 26.6 | 26.4 | 27.7 | 29 | 27-30 |
| Total production costs | 141.2 | 145.1 | 144.9 | 145 | 143-149 |

F = Forecast.
1/ Includes expenses associated with the operator dwelling, which account for 2.7 percent of total costs. In 1990 dwelling expenses averaged 1.6 percent of cash expenses (4.4 percent of interest and 11.5 percent of property taxes) and 10.1 percent of capital consumption.

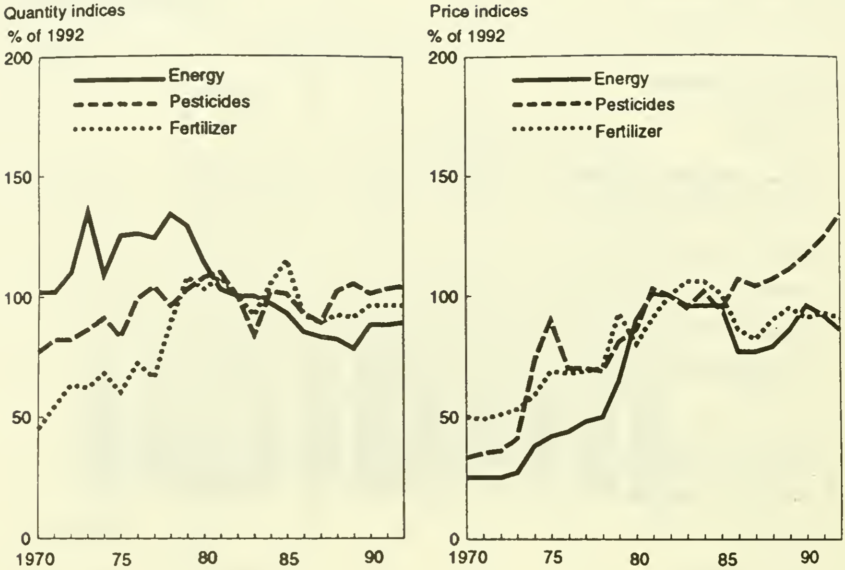
Farm income statements

| Item | 1990 | 1991 | 1992F | 1993F | 91 | 92 | 93 |
|---|---|---|---|---|---|---|---|
| | Billion dollars | | | | % change | | |
| Cash income statement | | | | | | | |
| 1. Cash receipts | 169.9 | 167.3 | 169 | 165 to 172 | -2 | 1 | 1 |
| Crops 1/ | 80.0 | 80.5 | 84 | 81 to 86 | 1 | 4 | 1 |
| Livestock | 89.9 | 86.7 | 86 | 83 to 87 | -4 | -2 | 0 |
| 2. Direct Government payments | 9.3 | 8.2 | 9 | 9 to 13 | -12 | 8 | 7 |
| Cash Government payments | 8.4 | 8.2 | 9 | 9 to 13 | -3 | 8 | 7 |
| Value of PIK commodities | .9 | .0 | * | 0 to 1 | -1 | 0 | 0 |
| 3. Farm-related income 2/ | 7.2 | 7.6 | 7 | 6 to 8 | 6 | -6 | 2 |
| 4. Gross cash income (1+2+3) | 186.4 | 183.2 | 185 | 183 to 191 | -2 | 1 | 1 |
| 5. Cash expenses 3/,4/ | 125.2 | 125.2 | 125 | 123 to 129 | 0 | 0 | 1 |
| 6. NET CASH INCOME (4-5) | 61.3 | 58.0 | 60 | 58 to 64 | -5 | 3 | 0 |
| Deflated (1987$) 5/ | 54.1 | 49.2 | 50 | 46 to 52 | -9 | 1 | -2 |
| Farm income statement | | | | | | | |
| 7. Gross cash income (1+2+3) | 186.4 | 183.2 | 185 | 183 to 191 | -2 | 1 | 1 |
| 8. Nonmoney income 6/ | 6.1 | 5.9 | 6 | 5 to 7 | -4 | 6 | 1 |
| 9. Inventory adjustment | 3.5 | .4 | 4 | -5 to -1 | | | |
| 10. Total gross income (7+8+9) | 196.0 | 189.5 | 196 | 186 to 195 | -3 | 3 | -2 |
| 11. Total expenses | 145.1 | 144.9 | 145 | 143 to 149 | 0 | 0 | 1 |
| 12. NET FARM INCOME (10-11) | 51.0 | 44.6 | 51 | 42 to 48 | -13 | 13 | -11 |
| Deflated (1987$) 5/ | 45.1 | 37.9 | 42 | 33 to 39 | -16 | 11 | -13 |

F - forecast January, 1993. * - less than $500 million.

1/ Includes CCC loans. 2/ Income from custom work, machine hire, recreational activities, forest product sales, and other farm sources. 3/ Excludes depreciation and perquisites to hired labor. 4/ Excludes farm households. 5/ Deflated by the GDP implicit price deflator. 6/ Value of home consumption of farm products and imputed rental value of operator dwelling. Totals may not add due to rounding.

## Farm Input Use and Prices

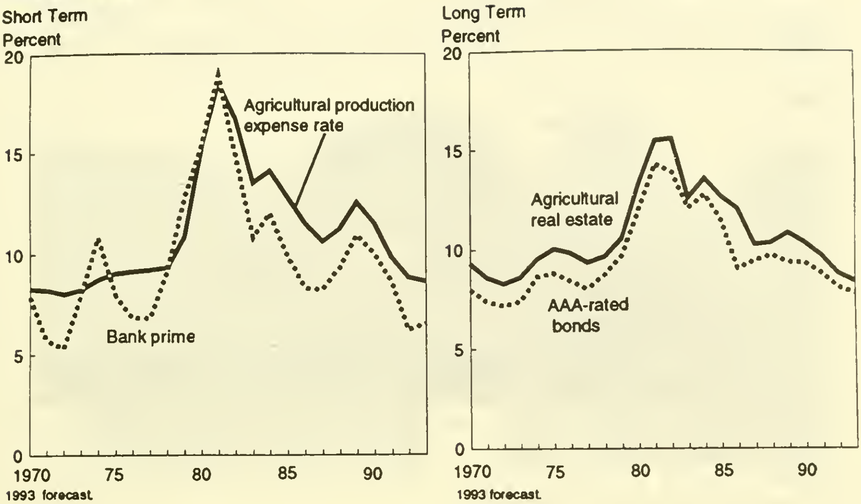



Selected Farm Input Quantity and Price Indices

| Item | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 P |
|---|---|---|---|---|---|---|
| | | | 1982 - 100 | | | |
| Quantity | | | | | | |
| Fertilizer | 89 | 92 | 91 | 96 | 96 | 96 |
| Pesticides | 89 | 102 | 105 | 101 | 103 | 104 |
| Energy 1/ | 83 | 81 | 78 | 88 | 88 | 89 |
| Prices | | | | | | |
| Fertilizer | 82 | 90 | 95 | 91 | 93 | 91 |
| Pesticides | 104 | 107 | 111 | 117 | 127 | 134 |
| Energy 1/ | 77 | 79 | 86 | 97 | 92 | 86 |

1/ Includes gasoline, diesel fuel, and LP gas.  P - Preliminary.

**Interest Rates**

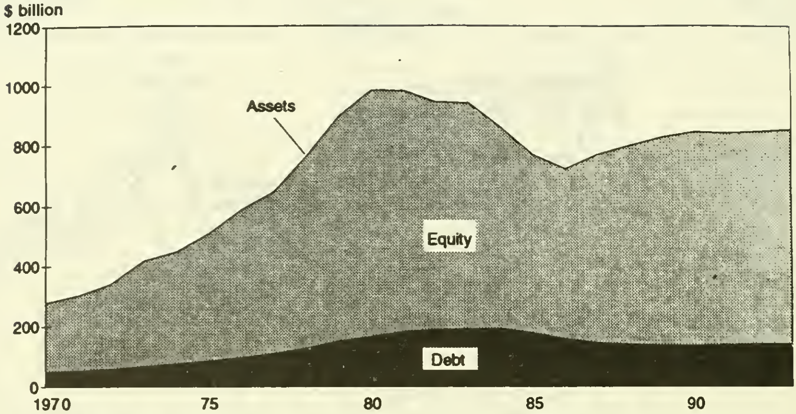



Yearly Average Interest Rates

| Item | 1988 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | | | Percent | | | |
| Agricultural production loan rate 1/ | 11.2 | 12.5 | 11.5 | 9.8 | 8.8 | 8.6 |
| Bank prime | 9.3 | 10.9 | 10.0 | 8.5 | 6.3 | 6.5 |
| Agricultural real estate loan rate | 10.3 | 10.8 | 10.3 | 9.7 | 8.8 | 8.4 |
| Aaa bond rate | 9.7 | 9.3 | 9.3 | 8.8 | 8.1 | 7.8 |

P - Preliminary F - Forecast.
1/ Loan funds for farm "operating-living" expenses.

## Total Farm Assets, Debt, and Equity



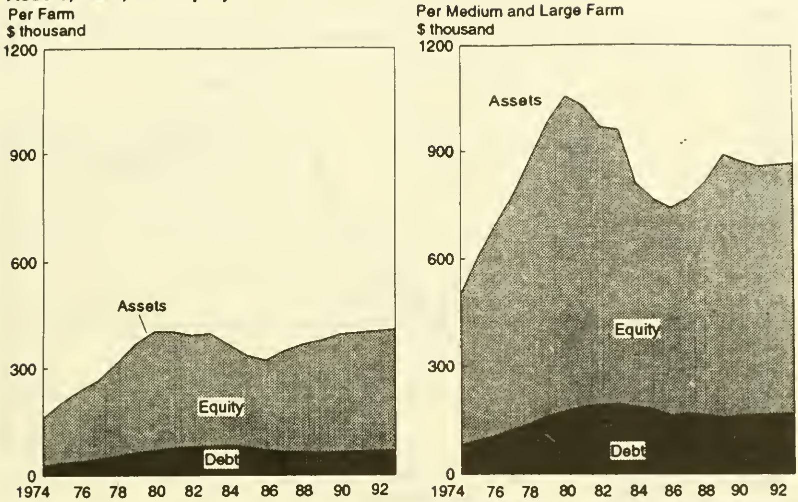

1992 preliminary. 1993 forecast.

Farm Balance Sheet, Excluding Dwellings

| Item | 1980 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | | | Billion dollars | | | |
| Assets (Dec. 31) | 983 | 829 | 847 | 842 | 846 | 845-855 |
| Real estate | 783 | 616 | 628 | 623 | 623 | 620-630 |
| Other | 200 | 213 | 219 | 219 | 223 | 220-230 |
| Liabilities | 167 | 137 | 137 | 139 | 140 | 138-144 |
| Real estate | 90 | 75 | 74 | 74 | 75 | 73-77 |
| Other | 77 | 62 | 63 | 65 | 65 | 64-68 |
| Equity | 816 | 692 | 710 | 703 | 707 | 705-715 |

P - Preliminary F - Forecast.

**Assets, Debt, and Equity**




1992 preliminary. 1993 forecast.

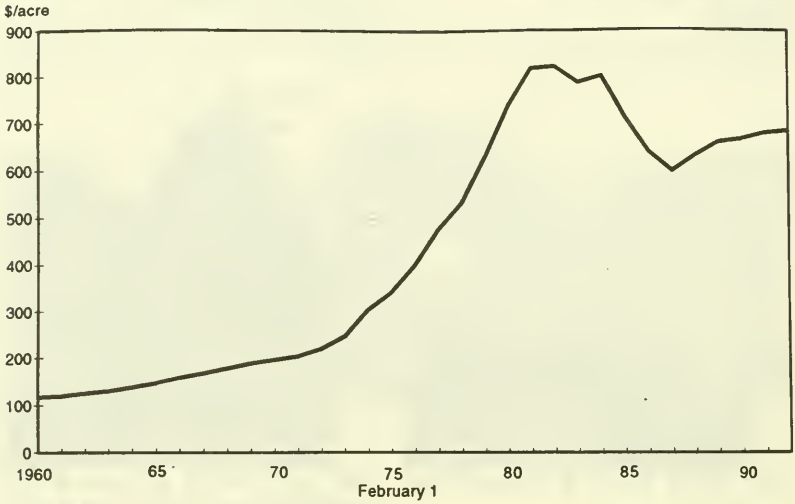
1992 preliminary. 1993 forecast. Medium and large farms=sales of $40 000 or more.

Farm Balance Sheet, Excluding Dwellings, per Farm

| Item | 1980 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | | | Thousand dollars | | | |
| Assets (Dec. 31) | | | | | | |
| All | 403 | 382 | 396 | 400 | 404 | 406-410 |
| Medium and large 1/ | 1,054 | 900 | 872 | 858 | 862 | 861-871 |
| Liabilities | | | | | | |
| All | 68 | 63 | 64 | 66 | 67 | 66-70 |
| Medium and large 1/ | 175 | 155 | 162 | 164 | 165 | 162-172 |
| Equity | | | | | | |
| All | 334 | 319 | 332 | 334 | 337 | 338-342 |
| Medium and large 1/ | 879 | 745 | 694 | 694 | 698 | 696-706 |

P - Preliminary. F - Forecast.
1/ Sales of $40,000 or more.

Farm Real Estate Values

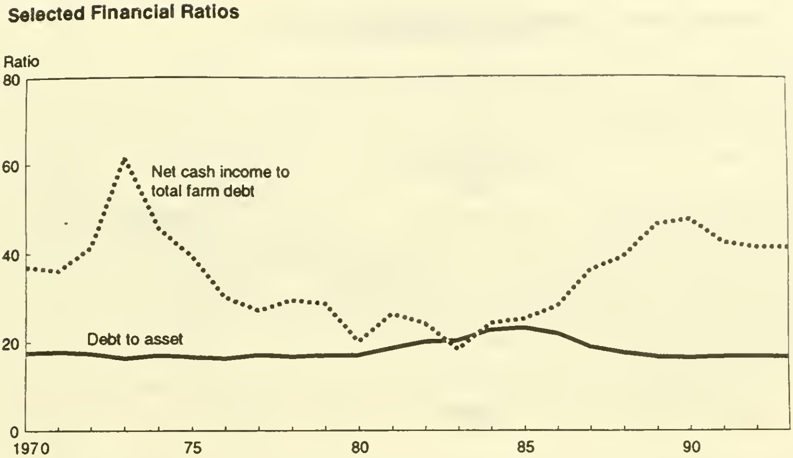



1993 forecast.

U.S. Farm Real Estate Value 1/

| Item | 1970 | 1980 | 1990 | 1991 | 1992 | 1993 F |
|---|---|---|---|---|---|---|
| | | | Dollars per acre | | | |
| Farm real estate value | 196 | 737 | 668 | 681 | 685 | 685-692 |

F - Forecast.
1/ Real estate includes farmland and buildings. 48-state average. For 1990 and later, value as of January 1. For earlier years, value as of February or March 1.



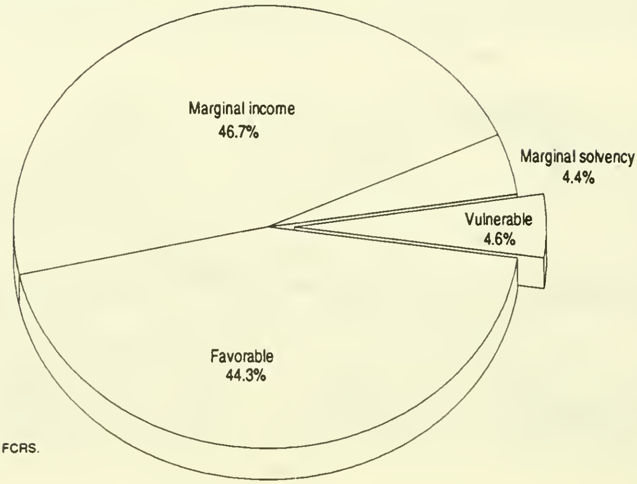

1992 preliminary. 1993 forecast.

Selected Financial Ratios

| Item | 1980 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| Debt to asset 1/ | 17.0 | 16.5 | 16.2 | 16.5 | 16.5 | 16 to 17 |
| Net cash income to debt 1/ | 20.0 | 46.3 | 47.4 | 42.2 | 45.8 | 39 to 43 |
| Farm business debt service coverage 2/ | 1.5 | 2.4 | 2.5 | 2.4 | 2.5 | 2.4 to 2.6 |
| Times interest earned 3/ | 2.0 | 4.4 | 4.5 | 4.2 | 3.8 | 3.2 to 3.3 |
| Return on assets 1/ | 1.3 | 5.2 | 5.0 | 4.2 | 4.8 | 3 to 5 |
| Prices received to prices paid (1977 = 100) 1/ | 97 | 83 | 82 | 78 | 7.3 | 71 to 75 |

P = Preliminary. F = Forecast.
1/ Percent. 2/ Assesses ability of farm businesses to repay both principal and interest. 3/ Shows the farm sector's ability to service debt out of net income.

**Percent of Farm Operations in Stress, January 1, 1992**




Source: FCRS.

Financial Position of Farms 1/

| Year | Favorable | Marginal income | Marginal solvency | Vulnerable |
|---|---|---|---|---|
| All Farms | | | | |
| 1985 | 40.8 | 40.1 | 9.2 | 9.9 |
| 1986 | 40.4 | 38.3 | 11.3 | 10.0 |
| 1987 | 41.0 | 37.0 | 11.7 | 9.9 |
| 1988 | 45.3 | 39.8 | 7.8 | 7.1 |
| 1989 | 42.8 | 43.6 | 6.6 | 7.0 |
| 1990 | 43.8 | 44.0 | 5.6 | 6.6 |
| 1991 | 44.3 | 43.8 | 5.6 | 6.3 |
| 1992 | 44.3 | 46.7 | 4.4 | 4.6 |
| Farms with Gross Sales ≥ $40,000 | | | | |
| 1991 | 68.5 | 13.1 | 14.2 | 4.1 |
| 1992 | 66.9 | 16.9 | 11.6 | 4.6 |

1/ This estimate is based on USDA survey data. The categories of financial stress are: Favorable--positive net cash farm income and debt-to-asset ratio of .4 or less; Marginal Solvency--positive net cash farm income and debt-to-asset ratio above .4; Marginal Income--negative net cash farm income and debt-to-asset ratio of .4 or less; Vulnerable--negative net cash farm income and debt-to-asset ratio above .4.

COMMODITY OUTLOOK
U.S. AGRICULTURAL TRADE

* Lower prices for corn and soybeans are expected to result in lower export value for U.S. agricultural exports. Exports are expected to dip $800 million in fiscal 1993 to $41.5 billion. Little change is expected in export volume, but increased world production of grains and oilseeds is expected to result in lower prices. In total, export value for grains and products, oilseeds and products, and cotton is expected to fall by $1.3 billion.

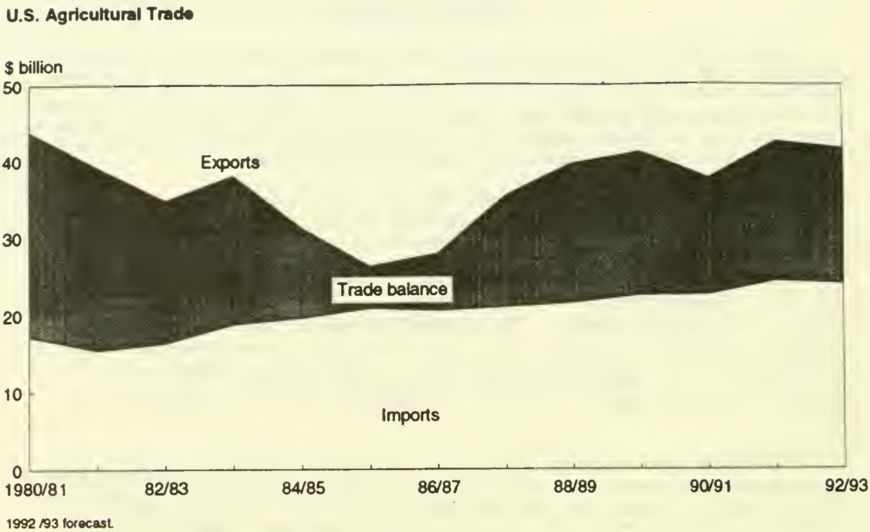
* The current USDA forecast of FY 1993 agricultural export volume shows exports of 144 million tons, unchanged from FY 1992. Higher wheat and corn exports are expected to offset lower exports of soybean meal and cotton.

* Japan will again be the leading market for U.S. agricultural products in FY 1993. Japanese purchases are expected to reach $8 billion, 20 percent of all U.S. agricultural sales. The European Community, our second largest market, is forecast to import over $7 billion of U.S. farm products. Sales to Canada and Mexico, our next largest markets, may reach a combined total of $8.8 billion. U.S. agricultural exports to the former Soviet Union are expected to fall slightly in FY 1993, after rising nearly $1 billion in FY 1992.

* High-value product (HVP) exports are expected to increase for the eighth consecutive year in FY 1993. HVP exports include horticultural and animal product exports, which are also expected to reach new records in 1993. However, a slower growth rate is expected in fiscal 1993. HVP exports rose $2.8 billion to over $23 billion in FY 1992. But only a $500 million increase is forecast for FY 1993. HVP exports are expected to surpass bulk exports for the third consecutive year in FY 1993. Favorable exchange rates with respect to Europe and Japan are expected to boost sales, as is renewed economic growth in Canada, Mexico, and the middle-income Pacific Rim.

* Imports are expected to decline slightly in FY 1993 to $24 billion. Lower tobacco imports are expected to more than offset slight gains in other products.

* The U.S. agricultural trade surplus is expected to fall slightly in FY 1993, from $18 billion to $17.5 billion. The surplus has nearly tripled since the mid-1980's.




U.S. Agricultural Trade 1/

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 2/ |
|---|---|---|---|---|---|---|
| | | | Billion dollars | | | |
| Exports | 35.4 | 39.6 | 40.2 | 37.6 | 42.4 | 41.5 |
| Imports | 21.0 | 21.5 | 22.5 | 22.6 | 24.3 | 24.0 |
| Trade balance | 14.3 | 18.1 | 17.7 | 15.0 | 18.1 | 17.5 |
| | | | Million metric tons | | | |
| Exports | 147.8 | 145.7 | 147.6 | 128.1 | 143.6 | 144.0 |

1/ Fiscal year. 2/ - Forecast.

U.S. Agricultural Exports: Value by Commodity 1/

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 2/ |
|---|---|---|---|---|---|---|
| | | | Billion dollars | | | |
| Grains & feeds | 12.6 | 16.8 | 15.7 | 12.2 | 13.9 | 13.2 |
| *Wheat* | *4.5* | *6.0* | *4.2* | *2.9* | *4.3* | *4.4* |
| *Corn* | *4.3* | *6.1* | *6.9* | *4.9* | *4.6* | *4.2* |
| Oilseeds & products | 7.7 | 6.6 | 6.1 | 5.6 | 7.2 | 6.9 |
| *Soybeans & products* | *6.9* | *5.8* | *5.3* | *4.7* | *6.0* | *5.8* |
| Animals & products | 6.1 | 6.5 | 6.7 | 6.8 | 7.8 | 8.1 |
| *Meat & products* | *2.2* | *2.9* | *3.1* | *3.5* | *4.2* | *4.5* |
| Fruits, nuts & vegetables | 3.9 | 4.2 | 5.2 | 6.0 | 6.7 | 7.1 |
| *Fruit* | *1.7* | *1.8* | *2.2* | *2.4* | *2.8* | *3.0* |
| *Vegetables* | *1.3* | *1.5* | *2.1* | *2.6* | *2.8* | *3.0* |
| Cotton | 2.1 | 2.0 | 2.7 | 2.6 | 2.2 | 1.8 |
| Other | 2.9 | 3.6 | 3.9 | 4.4 | 4.6 | 4.5 |
| Total | 35.3 | 39.7 | 40.3 | 37.6 | 42.4 | 41.5 |

Numbers in italics are components of main categories.
1/ Fiscal years, October-September. 2/ - Forecast.

U.S. Agricultural Exports: Leading Markets, 1980, 1992

| Fiscal 1980 | | Fiscal 1992 | |
|---|---|---|---|
| Country | Bil. dol. | Country | Bil. dol. |
| Japan | 5.8 | Japan | 8.4 |
| Netherlands | 3.5 | Canada | 4.8 |
| Mexico | 2.0 | Mexico | 3.7 |
| China (PRC) | 2.0 | Former USSR | 2.7 |
| Germany ( Fed. Rep) | 1.9 | S. Korea | 2.2 |
| Canada | 1.8 | Taiwan | 1.9 |
| So. Korea | 1.6 | Netherlands | 1.8 |
| Spain | 1.5 | Germany 1/ | 1.1 |
| USSR | 1.5 | Spain | 1.0 |
| Italy | 1.3 | United Kingdom | 0.9 |

1/ Includes former GDR.

U.S. Trade in High-Value Agricultural Products 1/

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 2/ |
|---|---|---|---|---|---|---|
| | | | Billion dollars | | | |
| Exports | 16.3 | 17.8 | 18.9 | 20.4 | 23.2 | 23.7 |
| | | | Percent | | | |
| Share of total | 46 | 45 | 47 | 54 | 55 | 57 |
| | | | Billion dollars | | | |
| Imports | 15.8 | 16.4 | 17.9 | 18.1 | 19.0 | 19.0 |
| | | | Percent | | | |
| Share of total | 75 | 76 | 80 | 80 | 78 | 79 |

1/ High-value products are those that recieved additional processing beyond the farm gate or represent a higher priced segment of a group of products. 2/ Forecast.

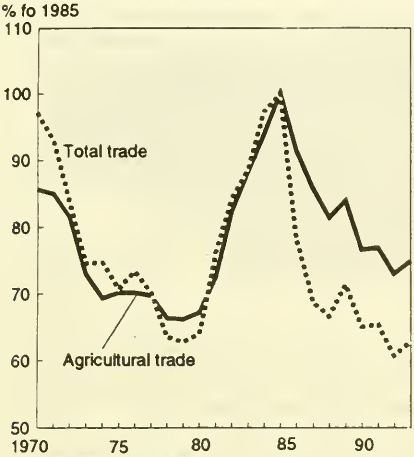
U.S. Agricultural Exports: Volume by Commodity 1/

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 2/ |
|---|---|---|---|---|---|---|
| | | | Million tons | | | |
| Grains & preparations | 108.9 | 115.0 | 112.9 | 94.6 | 100.7 | 103.3 |
| *Wheat* | *40.5* | *37.8* | *28.1* | *26.7* | *34.3* | *33.5* |
| *Corn* | *44.0* | *50.6* | *59.9* | *44.5* | *40.6* | 42.5 |
| Oilseeds & products | 29.7 | 21.1 | 23.7 | 22.3 | 28.6 | 27.9 |
| *Soybeans & products* | *28.0* | *19.5* | *22.4* | *20.2* | *25.9* | 25.2 |
| Animals & products | 2.8 | 2.9 | 2.8 | 2.8 | 2.9 | 3.0 |
| *Meat & products* | *1.0* | *1.3* | *1.4* | *1.6* | *1.9* | 2.0 |
| Fruits, nuts, & vegetables | 4.0 | 4.2 | 5.1 | 5.4 | 5.6 | 5.7 |
| *Fruits* | *2.0* | *2.1* | *2.3* | *2.4* | *2.9* | *3.0* |
| *Vegetables* | *1.8* | *2.5* | *2.5* | *2.4* | *2.6* | *2.6* |
| Cotton | 1.4 | 1.4 | 1.7 | 1.6 | 1.5 | 1.4 |
| Other | 1.0 | 1.1 | 1.4 | 1.4 | 2.5 | 2.7 |
| Total | 147.8 | 145.7 | 147.6 | 128.1 | 141.8 | 144.0 |

Numbers in italics are components of main categories.
1/ Fiscal years, October-September. 2/ Forecast.

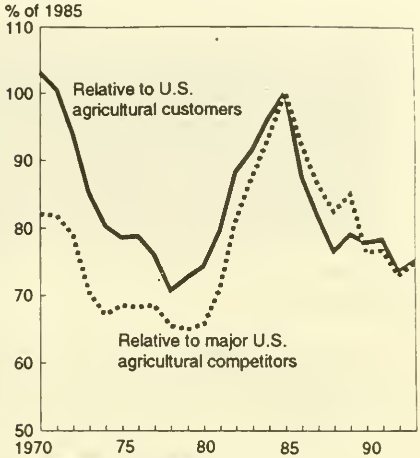
**Value of the Dollar**

Total trade vs. Agricultural Trade




1992 preliminary. 1993 forecast

Selected U.S. Agricultural Makets




1992 preliminary. 1993 forecast

Value of the Dollar

| Item | 1980 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | | | 1985 = 100 | | | |
| Total trade 1/ | 64.0 | 71.4 | 65.0 | 65.4 | 60.7 | 62.8 |
| Agricultural trade | 67.2 | 83.9 | 76.6 | 76.9 | 73.0 | 74.9 |
| U.S. agricultural markets | | | | | | |
| Total | 74.3 | 79.0 | 77.8 | 78.3 | 73.5 | 75.1 |
| Soybeans | 68.2 | 71.3 | 67.5 | 66.8 | 61.9 | 63.8 |
| Wheat | 77.8 | 89.0 | 90.6 | 97.0 | 94.8 | 96.0 |
| Major agricultural competitors | | | | | | |
| Total | 65.7 | 85.0 | 76.4 | 76.6 | 72.9 | 74.9 |
| Soybeans | 44.8 | 95.5 | 62.7 | 56.4 | 55.2 | 53.1 |
| Wheat | 66.8 | 84.1 | 73.4 | 70.6 | 71.7 | 72.8 |

P = Preliminary. F = Forecast. Data are expressed in indexed (1985 = 100) units per dollar. A rising value means the dollar is appreciating, i.e., U.S. currency purchases an increasing quantity of foreign goods. The index is calculated from U.S. and foreign exchange rates adjusted to factor out inflation. Trade volumes are used as weights. 1/ Value of U.S. dollar according to U.S. Federal Reserve System.

## CROPS OVERVIEW

* The 1992 crop season wound up producing record-breaking yields despite unfavorable growing conditions during the spring. As the season began, the drought which had gripped the West for five years persisted, spreading into the edge of the Great Plains. But wet soils and flooding delayed early planting from the Midwest into the Southeast. The Corn Belt dried out by early May, allowing rapid planting completion. In June, frost forced some replanting. A cool summer and timely rains provided nearly ideal pollination weather, triggering record yields for corn, soybeans and spring wheat. Late-maturing crops largely escaped freeze damage, but cool, wet weather affected crop quality.

* Winter wheat was planted last fall with some delays, and snow cover is adequate. Planted area totaled 51.5 million acres, 1 percent above the 1991 level. Late harvest of crops in the Midwest and parts of the South limited wheat plantings.

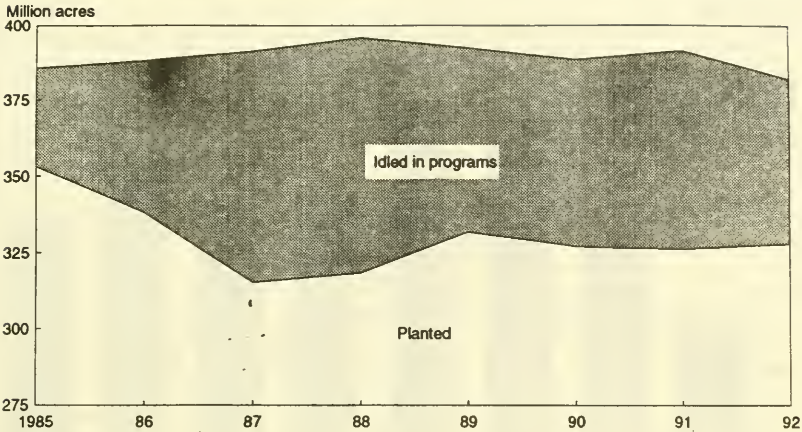
* Late fall rains and snow eased surface dryness in the southern Great Plains and in parts of the Pacific Northwest. In the West, significant winter precipitation to date has eased some of the concerns over 1993 irrigation water supplies, but more moisture is needed to end the drought.

* Wet soils, late maturity of the 1992 crops and resulting harvest delays hampered fall plowing progress. This will put additional pressure on farmers who must still complete harvest of some 1992 corn, soybean, cotton and sorghum crops, do field work normally done in the fall and finish spring planting on time.

* As the 1993 planting season approaches, soil moisture levels east of the Rockies are the most favorable since 1987, a year which produced record yields for many crops.

* U.S. weather patterns during the 1993 growing season are likely to show the lingering effects of the Mt. Pinatubo volcanic eruption and a weak recurrence of El Nino-like conditions. Such events would suggest great variability in growing-season weather. However, it is not yet possible to specify which areas of the United States would experience the greatest deviation in summer weather.

U.S. Crops Acreage Planted and Idled in Programs

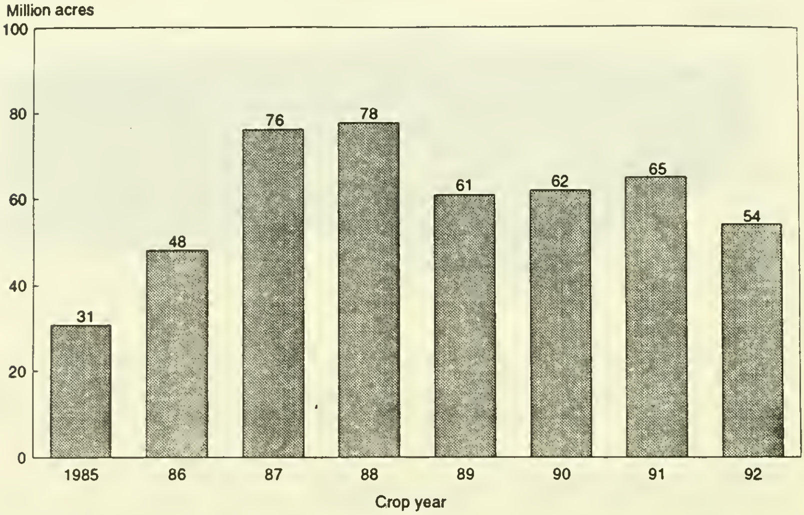



U.S. Crop Acreage Planted and Idled in Programs

| Item | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|---|---|---|---|---|
| | | | Million acres | | |
| Principal crops 1/ | 318.3 | 331.6 | 326.9 | 326.0 | 327.6 |
| Feed grains | 101.8 | 106.1 | 103.4 | 104.6 | 108.4 |
| Corn | 67.7 | 72.2 | 74.2 | 76.0 | 79.3 |
| Wheat | 65.5 | 76.6 | 77.2 | 69.9 | 72.3 |
| Soybeans | 58.8 | 60.8 | 57.8 | 59.2 | 59.3 |
| Cotton | 12.5 | 10.6 | 12.3 | 14.1 | 13.3 |
| Fruit and vegetables | 5.4 | 5.5 | 5.6 | 5.5 | 5.5 |
| Idled in programs | 77.6 | 60.8 | 61.5 | 65.4 | 54.4 |
| ARP | 40.2 | 18.4 | 12.2 | 17.1 | 8.6 |
| PLD | 4.1 | | | | |
| PIK | | | | | |
| 0/92-50/92 | 8.8 | 12.6 | 15.4 | 13.8 | 10.4 |
| Conservation Reserve | 24.5 | 29.8 | 33.9 | 34.5 | 35.4 |

1/ Includes corn, sorghum, oats, barley, wheat, rice, rye, soybeans, flaxseed, peanuts, sunflower, cotton, all hay, dry edible peas and beans, lentils, potatoes, sweetpotatoes, tobacco, sugarcane, and sugarbeets.

## Acreage Idled Under Federal Programs

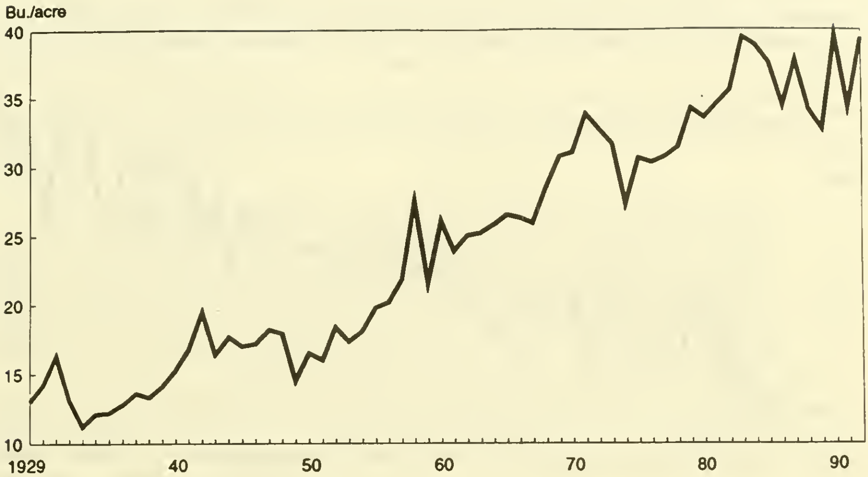



Acreage Idled Under Government Programs

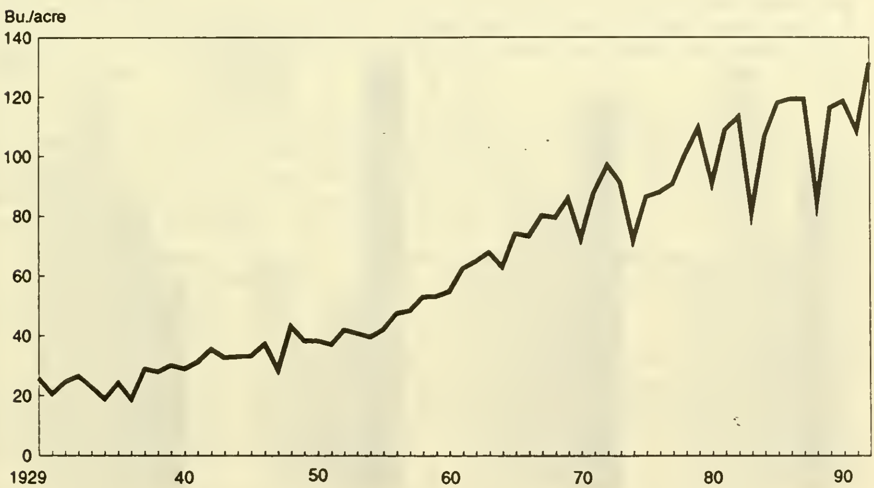
| Item | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|---|---|---|---|---|---|
| | | | Million acres | | | |
| Annual programs | | | | | | |
| Corn | 21.8 | 17.6 | 6.3 | 6.1 | 4.7 | 3.1 |
| Sorghum | 3.6 | 2.8 | 1.1 | 1.0 | .8 | 0.5 |
| Barley | 2.7 | 2.2 | .8 | .7 | .7 | 0.4 |
| Oats | .7 | .1 | .1 | -- | -- | -- |
| Wheat | 20.2 | 19.2 | 6.1 | 2.2 | 10.1 | 3.2 |
| Cotton | 3.2 | 1.5 | 3.1 | 1.5 | .6 | 1.3 |
| Rice | 1.3 | .9 | .9 | .7 | .2 | -- |
| 0/92-50/92 | 7.0 | 8.8 | 12.6 | 15.4 | 13.5 | 10.4 |
| Conservation Reserve | 15.7 | 24.5 | 29.8 | 33.9 | 34.5 | 35.4 |
| Total idled | 76.2 | 77.6 | 60.8 | 61.5 | 65.1 | 54.3 |
| Program crops harvested 1/ | 212.3 | 205.9 | 224.9 | 229.9 | 223.0 | 230.6 |
| Idled plus harvested | 288.5 | 283.5 | 285.8 | 291.4 | 288.1 | 284.9 |

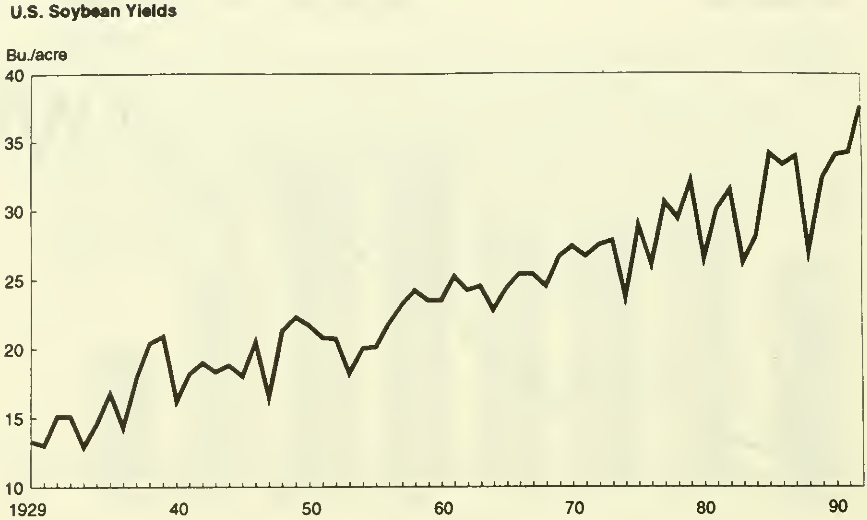
1/ Feed grains, wheat, rice, cotton, and soybeans.

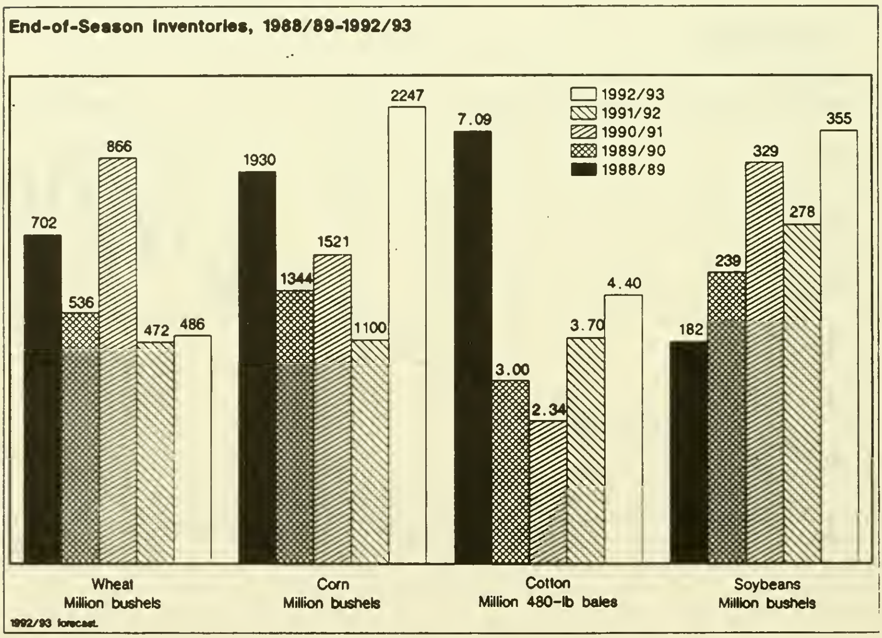
U.S. Wheat Yields




U.S. Corn Yields




U.S. Soybean Yields
Bu./acre
40
35
30
25
20
15
10
1929
40
50
60
70
80
90


End-of-Season Inventories, 1988/89-1992/93
1992/93
1991/92
1990/91
1989/90
1988/89
702
536
866
472
486
1930
1344
1521
1100
2247
7.09
3.00
2.34
3.70
4.40
182
239
329
278
355
Wheat
Million bushels
Corn
Million bushels
Cotton
Million 480-lb bales
Soybeans
Million bushels
1992/93 forecast.

## GRAINS

* World grain production in 1992/93 rebounded strongly from last year and is only marginally below the 1990/91 record. Global consumption is a record but will trail production, leading to a gain in global ending stocks. U.S. output is up more than one-fourth, while foreign production is down 1 percent.

* World grain trade is forecast down 4.5 percent in 1992/93, as a one-third drop in the combined imports of the FSU and China more than offset a 5-percent rise for the rest of the world. However, the U.S. share of world trade is expected to rise.

* World wheat production is up 2.5 percent in 1992/93, led by gains in the FSU, China and the United States. However, global wheat use will decline again, and 1992/93 global ending stocks are forecast up 5 percent. Global wheat trade is forecast down 5 percent from last year's record, as reduced imports by the world's two largest wheat importers (the FSU and China) more than offset gains for other countries. However, a smaller Argentine crop, quality problems in Canada, and aggressive use of the Export Enhancement Program are expected to result in gains in U.S. exports and market share.

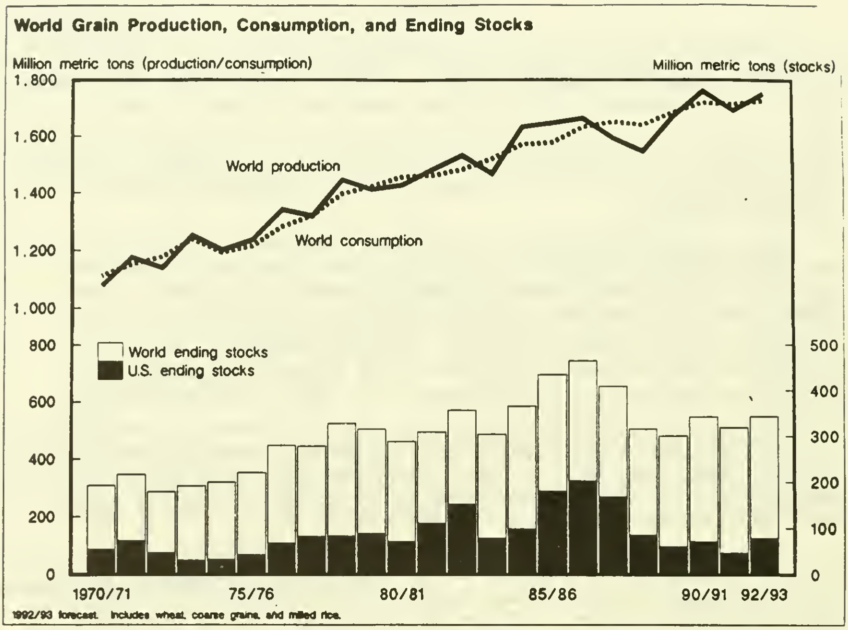
* U.S. wheat output was up 24 percent in 1992/93, as harvested acres and yields rose. However, supplies are only up 3 percent because of reduced carryin stocks. With slightly higher exports and food use, projected 1992/93 ending stocks are only marginally above a year earlier. Farm prices are expected to average around 10 percent above the $3.00 per bushel of 1991/92.

* Global 1992/93 coarse grain stocks are forecast up 17 percent from a year earlier as production is expected to rise 5 percent but consumption, only 2 percent. Foreign output is down 3 percent, largely because of a 28-percent decline in Eastern Europe. With the FSU coarse grain crop up sharply and forecast imports for the region down almost a third, world coarse grain trade is forecast 4 percent below 1991/92. However, smaller crops in some competing exporters and lower U.S. prices are expected to result in higher U.S. exports and market share.

* U.S. 1992/93 feed grain output rose 27 percent, as corn yields topped 1991 by 21 percent and the previous record by 10 percent. While lower prices will spur larger exports and domestic use, the huge corn crop will cause 1992/93 ending stocks to be more than double carryin levels. Stocks, however, will remain well below levels of the mid-1980's. Corn prices received by farmers are forecast at $1.90-$2.20 per bushel, compared with $2.37 in 1991/92.

* The world 1992/93 rice crop is up almost 1 percent. Global use is expected to be above production, leading to another small drop in global stocks. Although 1993 world rice trade is projected down around 3 percent, U.S. exports and market share are expected to rise.

* U.S. rice production increased 14 percent in 1992/93 because of larger area and higher yields. Although total use is expected to expand because of increased domestic use and exports, ending stocks are projected up 40 percent. Rice prices received by farmers in 1992/93 are forecast at $5.85-$6.35 per cwt, compared with $7.58 in 1991/92.

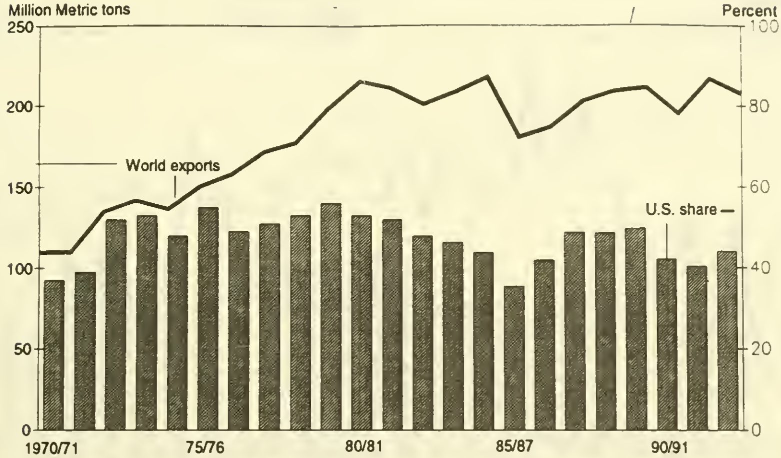



World and U.S. Grain Supply, Use, and Stocks Indicators 1/

| Item | 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 F |
|---|---|---|---|---|---|
| | | | Million tons | | |
| Production 1/ | | | | | |
| World | 1,546 | 1,668 | 1,759 | 1,690 | 1,750 |
| U.S. | 204 | 282 | 310 | 278 | 350 |
| Consumption | | | | | |
| World | 1,639 | 1,683 | 1,718 | 1,713 | 1,726 |
| U.S. | 187 | 203 | 219 | 219 | 231 |
| Ending stocks | | | | | |
| World | 316 | 301 | 342 | 319 | 343 |
| U.S. | 86 | 61 | 72 | 48 | 80 |
| | | | Percent | | |
| Stocks/use ratio | | | | | |
| World | 19.3 | 17.9 | 19.9 | 18.6 | 19.9 |
| U.S. 2/ | 29.7 | 19.8 | 23.9 | 15.6 | 24.8 |

F - Forecast.
1/ Includes wheat, coarse grains, and milled rice. Aggregate of local marketing years. 2/ Stocks to total use (including exports).

**Total World Grain Exports and U.S. Share**



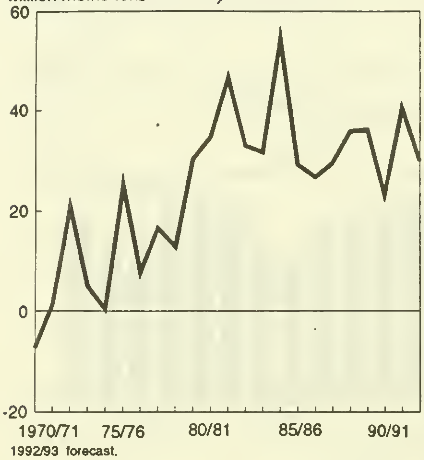

1992/93 forecast. Includes wheat flour, excludes intra-EC trade.

Total World Grain Supply and Use and U.S. Grain Exports

| Item | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 F |
|---|---|---|---|---|---|---|
| | | | Million tons | | | |
| World 1/ | | | | | | |
| Production | 1,594.1 | 1,546.1 | 1,667.9 | 1,758.6 | 1,690.1 | 1,750.4 |
| Use | 1,649.9 | 1,639.1 | 1,682.6 | 1,718.0 | 1,713.4 | 1,725.4 |
| Ending stocks | 409.0 | 316.0 | 301.3 | 342.0 | 318.8 | 343.8 |
| Exports 2/ | | | | | | |
| World | 203.0 | 209.0 | 211.1 | 194.9 | 216.8 | 207.6 |
| U.S. | 99.2 | 101.9 | 105.1 | 82.3 | 87.5 | 91.4 |
| | | | Percent | | | |
| Trade share | | | | | | |
| U.S. | 49 | 49 | 50 | 42 | 40 | 44 |
| EC | 12 | 15 | 14 | 15 | 15 | 16 |
| Canada | 14 | 9 | 10 | 13 | 13 | 12 |

F - Forecast. 1/ Aggregate of local marketing years. 2/ Wheat is a July/June trade year, coarse grain is October/September, and rice is calendar year. Excludes intra-EC trade, except for rice.

## Former USSR Grain Production and Trade



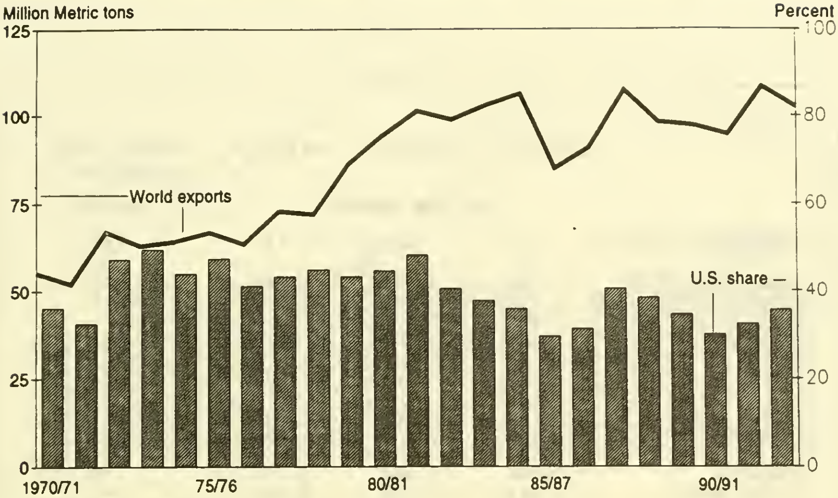


Former USSR: Grain Supply and Utilization 1/

| Item | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 E | 1992/93 F |
|---|---|---|---|---|---|---|
| | | | Million tons | | | |
| Production | 183 | 170 | 186 | 207 | 152 | 183 |
| Imports, | | | | | | |
| total 2/ | 32.0 | 39.0 | 39.5 | 26.4 | 41.6 | 31.1 |
| from U.S. | 16.5 | 21.4 | 22.7 | 8.9 | 16.4 | NA |
| Exports 2/ | 2.5 | 3.2 | 3.4 | 3.1 | 1.1 | 1.2 |
| Utilization, | | | | | | |
| total | 211 | 210 | 220 | 229 | 200 | 202 |
| feed | 137 | 135 | 145 | 154 | 123 | 118 |
| Stock change | +4 | -2 | +4 | +4 | -8 | +11 |

E - Estimate. F - Forecast. NA - Not Available.
1/ Includes wheat, coarse grains, and rice. 2/ Wheat and coarse grain trade is on a July/June basis; rice is on a calendar year basis.

## World Wheat Exports and U.S. Share




1992/93 forecast. Includes wheat flour, excludes intra-EC trade.

World Wheat Supply and Use and U.S. Wheat Exports

| Item | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 F |
|---|---|---|---|---|---|---|
| | | | Million tons | | | |
| World 1/ | | | | | | |
| Production | 495.7 | 495.0 | 532.9 | 588.1 | 542.8 | 556.4 |
| Use | 524.9 | 525.4 | 529.9 | 565.3 | 556.7 | 549.9 |
| Ending stocks | 148.4 | 118.0 | 120.9 | 143.8 | 129.8 | 136.2 |
| Exports 2/ | | | | | | |
| World | 107.1 | 97.9 | 97.0 | 94.4 | 108.2 | 102.5 |
| U.S. | 43.4 | 37.6 | 33.5 | 28.3 | 35.1 | 36.5 |
| | | | Percent | | | |
| Trade share | | | | | | |
| U.S. | 41 | 38 | 35 | 30 | 32 | 36 |
| EC | 15 | 21 | 22 | 22 | 19 | 21 |
| Canada | 22 | 14 | 18 | 22 | 22 | 21 |

F - Forecast.
1/ Aggregate of local marketing years. 2/ July-June trade year. Excludes intra-EC trade.



67-445 O—93——12

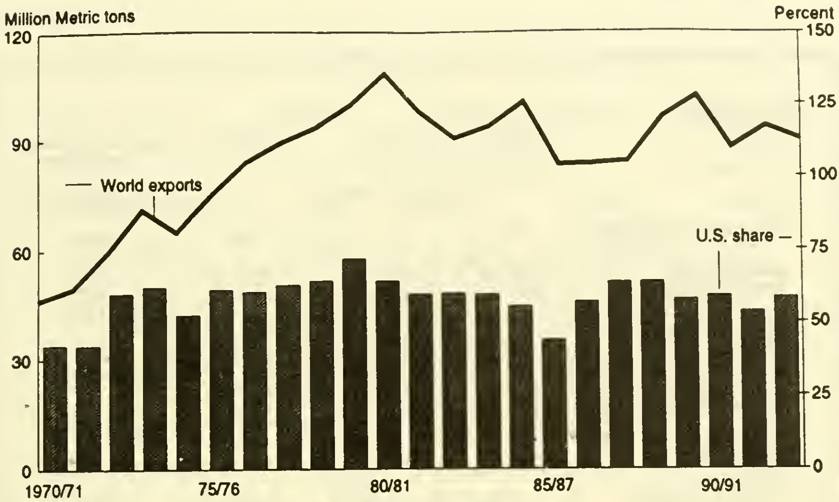
# U.S. WHEAT SUPPLY AND DEMAND

| | 1990/91 | 1991/92 | 1992/93 F | CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| | MILLION BUSHELS | | | PERCENT |
| BEGINNING STOCKS | 536 | 866 | 472 | -45 |
| PRODUCTION | 2,736 | 1,981 | 2,459 | +24 |
| TOTAL SUPPLY | 3,309 | 2,888 | 2,986 | +3 |
| FOOD USE | 785 | 785 | 830 | +5 |
| SEED | 90 | 94 | 95 | +1 |
| FEED & RES. | 499 | 257 | 225 | +1 |
| DOMESTIC USE | 1,375 | 1,135 | 1,150 | +5 |
| EXPORTS | 1,068 | 1,281 | 1,350 | +5 |
| TOTAL USE | 2,443 | 2,416 | 2,500 | +3 |
| ENDING STOCKS | 866 | 472 | 486 | +3 |
| | PERCENT | | | |
| STOCKS/USE RATIO | 35 | 20 | 19 | -5 |
| | DOLLARS PER BUSHEL | | | |
| AVG. MARKET PRICE | 2.61 | 3.00 | 3.20-3.40 | +7 to +13 |
| LOAN RATE | 1.95 | 2.04 | 2.21 | +8 |

F = Forecast.

Figure 1

World Coarse Grain Exports and U.S. Share




1992/93 forecast. Includes wheat flour, excludes intra-EC trade.

World Coarse Grain Supply and Use and U.S. Coarse Grain Exports

| Item | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 F |
|---|---|---|---|---|---|---|
| | | | Million tons | | | |
| World 1/ | | | | | | |
| Production | 783.9 | 721.1 | 792.5 | 819.5 | 798.8 | 842.5 |
| Use | 804.9 | 786.1 | 816.8 | 807.2 | 803.6 | 820.2 |
| Ending stocks | 214.7 | 149.7 | 125.3 | 137.9 | 133.1 | 155.3 |
| Trade 2/ | | | | | | |
| World | 84.0 | 96.0 | 102.0 | 87.8 | 93.7 | 90.1 |
| U.S. | 53.5 | 61.3 | 69.1 | 51.8 | 50.2 | 52.5 |
| | | | | Percent | | |
| Trade share | | | | | | |
| U.S. | 64 | 64 | 68 | 59 | 54 | 58 |
| EC | 10 | 11 | 8 | 9 | 11 | 12 |
| China | 5 | 5 | 3 | 8 | 9 | 9 |

F - Forecast. 1/ Aggregate of local marketing years. 2/ October-September trade year. Excludes intra-EC trade.

# U.S. FEED GRAINS SUPPLY AND DEMAND

| | 1990/91 | 1991/92 | 1992/93 F | CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| | | MILLION TONS | | PERCENT |
| BEGINNING STOCKS | 45.5 | 47.7 | 34.0 | -29 |
| PRODUCTION | 230.5 | 218.4 | 277.4 | +27 |
| TOTAL SUPPLY | 277.3 | 268.2 | 312.5 | +17 |
| FOOD, SEED, & INDUSTRY | 40.5 | 42.2 | 43.6 | +3 |
| FEED & RES. | 137.6 | 142.3 | 152.4 | +7 |
| DOMESTIC USE | 178.1 | 184.5 | 195.9 | +6 |
| EXPORTS | 51.5 | 49.7 | 51.6 | +4 |
| TOTAL USE | 229.6 | 234.2 | 247.5 | +6 |
| ENDING STOCKS | 47.7 | 34.0 | 65.0 | +91 |
| | | PERCENT | | |
| STOCKS/USE RATIO | 21 | 15 | 26 | +73 |

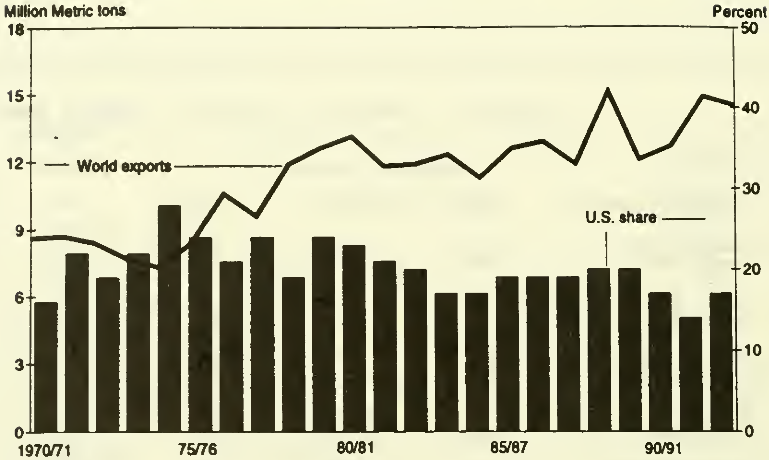
F = Forecast.

# U.S. CORN SUPPLY AND DEMAND

| | 1990/91 | 1991/92 | 1992/93 F | CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| | | MILLION BUSHELS | | PERCENT |
| BEGINNING STOCKS | 1,344 | 1,521 | 1,100 | -28 |
| PRODUCTION | 7,934 | 7,475 | 9,479 | +27 |
| TOTAL SUPPLY | 9,282 | 9,016 | 10,582 | +17 |
| FOOD, SEED, & INDUSTRY | 1,367 | 1,434 | 1,485 | +4 |
| FEED & RES. | 4,669 | 4,898 | 5,200 | +6 |
| DOMESTIC USE | 6,036 | 6,332 | 6,685 | +6 |
| EXPORTS | 1,725 | 1,584 | 1,650 | +4 |
| TOTAL USE | 7,761 | 7,916 | 8,335 | +5 |
| ENDING STOCKS | 1,521 | 1,100 | 2,247 | +104 |
| | | PERCENT | | |
| STOCKS/USE RATIO | 20 | 14 | 27 | +93 |
| | | DOLLARS PER BUSHEL, CORN | | |
| AVG. MARKET PRICE | 2.28 | 2.37 | 1.90-2.20 | -20 to -7 |
| LOAN RATE | 1.57 | 1.62 | 1.72 | +6 |

F = Forecast.

**World Rice Exports and U.S. Share**




1992/93 forecast.

World Rice Supply and Use and U.S. Rice Exports

| Item | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 F |
|---|---|---|---|---|---|---|
| | | | Million tons, milled basis | | | |
| World 1/ | | | | | | |
| Production | 314.5 | 330.0 | 342.6 | 350.5 | 348.4 | 351.6 |
| Use | 320.8 | 327.6 | 335.8 | 345.6 | 353.0 | 355.2 |
| Ending stocks | 45.9 | 48.3 | 55.1 | 60.4 | 55.9 | 52.3 |
| Exports 2/ | | | | | | |
| World | 11.9 | 15.1 | 12.1 | 12.7 | 14.9 | 14.5 |
| U.S. | 2.2 | 3.0 | 2.4 | 2.2 | 2.2 | 2.4 |
| | | | | Percent | | |
| Trade share | 19 | 20 | 20 | 17 | 14 | 17 |
| Thailand | 40 | 40 | 32 | 31 | 32 | 30 |
| Vietnam | 1 | 9 | 12 | 8 | 13 | 13 |

F - Forecast.
1/ Aggregate of local marketing years. 2/ Exports are calendar year indicated by second half of split year.

# U.S. RICE SUPPLY AND DEMAND

| | 1990/91 | 1991/92 | 1992/93 F | CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| | | MILLION CWT | | PERCENT |
| BEGINNING STOCKS | 26.4 | 24.6 | 27.3 | +11 |
| PRODUCTION | 156.1 | 157.5 | 179.1 | +14 |
| TOTAL SUPPLY | 187.2 | 187.3 | 212.1 | +13 |
| DOMESTIC USE | 91.7 | 93.7 | 98.0 | +5 |
| EXPORTS | 70.9 | 66.4 | 76.0 | +14 |
| TOTAL USE | 162.7 | 160.1 | 174.0 | +9 |
| ENDING STOCKS | 24.6 | 27.3 | 38.1 | +40 |
| | | PERCENT | | |
| STOCKS/USE RATIO | 15 | 17 | 22 | +29 |
| | | DOLLARS PER CWT | | |
| AVG. MARKET PRICE | 6.70 | 7.58 | 5.85-6.35 | -23 to -16 |
| LOAN RATE | 6.50 | 6.50 | 6.50 | 0 |

F = Forecast.

## OILSEEDS

* World oilseed production in 1992/93 is forecast to rise only 1 percent to a record 225.0 million tons. Record yields boosted U.S. production 7 percent to 68.7 million tons, a level exceeded only in 1979/80 when U.S. oilseeds acreage was some 94 million acres compared with 1992/93's 77 million. Foreign oilseed production declined 2 percent in 1992/93, mostly because of lower oilseed crop yields in China, the EC, and Canada.

* Global soybean production in 1992/93 is forecast at 113.6 million tons, 6.6 percent above 1991/92. The United States is the big factor, but South America's soybean crops this spring are likely to be up 3 to 5 percent as well. Planting and growing conditions through January were quite good in both Brazil and Argentina. Area is up in Brazil, helped by greater credit availability for growers following last year's credit rationing.

* World production of other oilseeds is off 5 percent in 1992/93, with less rapeseed in the EC and Canada and cottonseed in China. U.S. production of minor oilseeds is forecast at 1.5 million tons, 23 percent below 1991/92. Despite the greater flexibility provisions in the 1990 Farm Act, lower relative returns compared to competing crops led growers to cut back plantings of minor oilseeds.

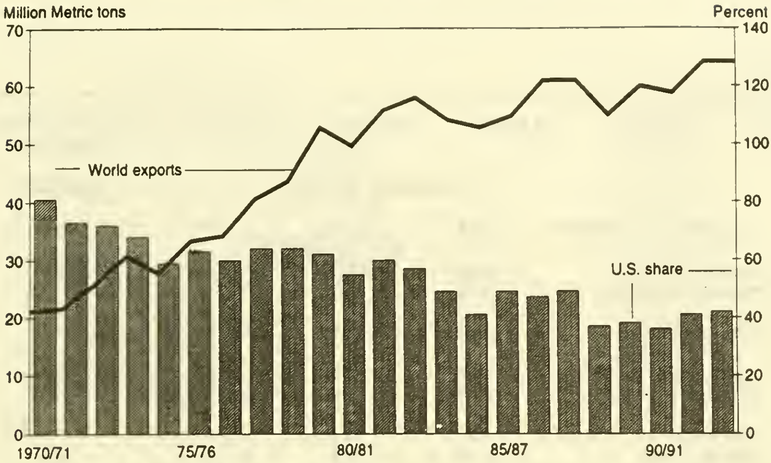
* World trade in oilseeds and products is rather lackluster in 1992/93 although U.S. soybean exports have been helped by short crops of other oilseeds in China, the EC, and Canada, and by low soybean inventories in South America this past fall. Principal markets for U.S. soybeans this year are the EC and several East Asian markets. Soybean meal exports in 1992/93 are down because of weak demand in the former Soviet Union and parts of Eastern Europe. The U.S. share of global soybean trade is forecast to gain slightly to 42 percent in 1992/93, compared with the 1990/91 low of 36 percent.

* U.S. vegetable oil exports are up in 1992/93, helped by additional shipments under the EEP, SOAP and COAP programs. With short U.S. cottonseed and sunflowerseed crops in 1992/93, higher U.S. sunflowerseed and cottonseed oil exports are raising prices and rationing domestic use. Stronger soybean oil exports along with unusually low soybean oil extraction rates also have contributed to a sharp drawdown in surplus U.S. soybean oil inventories.

* U.S. soybean crush is forecast to rise only 1 percent in 1992/93 to a record 1,265 million bushels. Strong domestic demand for soybean meal is more than offsetting weakness in U.S. soybean meal exports.

* While U.S. soybean use is forecast up a respectable 4 percent, supply is rising by 7 percent, and stocks will build in 1992/93 to a forecast 355 million bushels. Season-average prices as a result likely will average a little lower for the year at $5.30 to $5.50 per bushel, compared with $5.58 last year. Nevertheless, soybean planted acres in 1993 could rise slightly from this year's 59.3 million acres as relative crop returns favor soybeans.

World Soybean Exports and U.S. Share




1992/93 forecast. Includes wheat flour, exccludes intra-EC trade.

World Soybean Supply and Use and U.S. Soybean Exports 1/

| Item | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 F |
|---|---|---|---|---|---|---|
| | | | Million tons | | | |
| World | | | | | | |
| Production | 103.7 | 95.6 | 107.4 | 104.2 | 106.5 | 113.6 |
| Use | 104.9 | 99.3 | 104.6 | 104.5 | 109.7 | 111.8 |
| Ending stocks | 19.7 | 17.9 | 20.2 | 20.1 | 18.0 | 19.8 |
| Exports 2/ | | | | | | |
| World | 61.0 | 54.8 | 59.8 | 58.7 | 64.2 | 64.1 |
| U.S. | 29.6 | 20.5 | 23.0 | 21.3 | 26.4 | 27.2 |
| | | | Percent | | | |
| U.S. trade share 2/ | 49 | 37 | 38 | 36 | 41 | 42 |
| Brazil | 20 | 29 | 26 | 22 | 23 | 22 |
| Argentina | 12 | 12 | 15 | 19 | 17 | 17 |

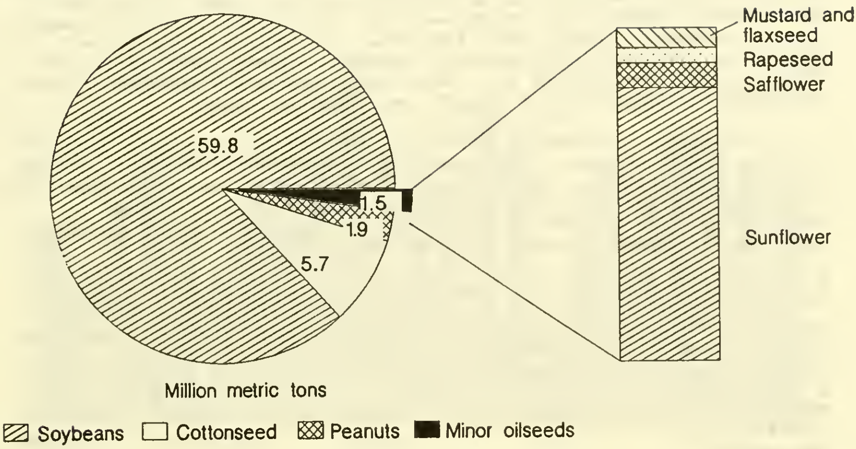
F - Forecast. 1/ Local marketing year basis, except for Argentina and Brazil, which are on an October-September year. 2/ Includes soybean meal on a soybean equivalent basis.

# U.S. SOYBEANS SUPPLY AND DEMAND

| | 1990/91 | 1991/92 | 1992/93 F | CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| | MILLION BUSHELS | | | PERCENT |
| BEGINNING STOCKS | 239 | 329 | 278 | -16 |
| PRODUCTION | 1,926 | 1,987 | 2,197 | +11 |
| TOTAL SUPPLY | 2,168 | 2,319 | 2,477 | +7 |
| CRUSHINGS | 1,187 | 1,254 | 1,265 | +1 |
| SEED AND FEED | 55 | 55 | 56 | +2 |
| DOMESTIC USE | 1,242 | 1,309 | 1,321 | +1 |
| EXPORTS | 557 | 685 | 745 | +9 |
| TOTAL USE | 1,839 | 2,041 | 2,122 | +4 |
| ENDING STOCKS | 329 | 278 | 355 | +28 |
| | PERCENT | | | |
| STOCKS/USE RATIO | 18 | 14 | 17 | +21 |
| | DOLLARS PER BUSHEL | | | |
| AVG. MARKET PRICE | 5.74 | 5.60 | 5.30-5.50 | -5 to -2 |
| LOAN RATE | 4.50 | 5.02 | 5.02 | -- |

F = Forecast.

## U.S. Oilseed Production, 1992




**Minor Oilseed Production 1/**

| Item | 1982 | 1987 | 1991 | 1992 |
|---|---|---|---|---|
| | | 1,000 metric tons | | |
| Sunflower | 2,419 | 1,183 | 1,639 | 1,181 |
| Flaxseed | 261 | 189 | 157 | 84 |
| Rapeseed 2/ | 3 | 21 | 94 | 85 |
| Safflower | 108 | 147 | 114 | 185 |
| Mustard | 10 | 8 | 8 | 7 |

1/ Data for 1982 and 1987 are from the Census of Agriculture for rapeseed, safflower, and mustard. Data for these oilseeds in 1992 are from the 1992 Crop Production Summary (NASS) of minor oilseeds. 2/ In 1992, canola accounted for 92 percent of total U.S. rapeseed production.

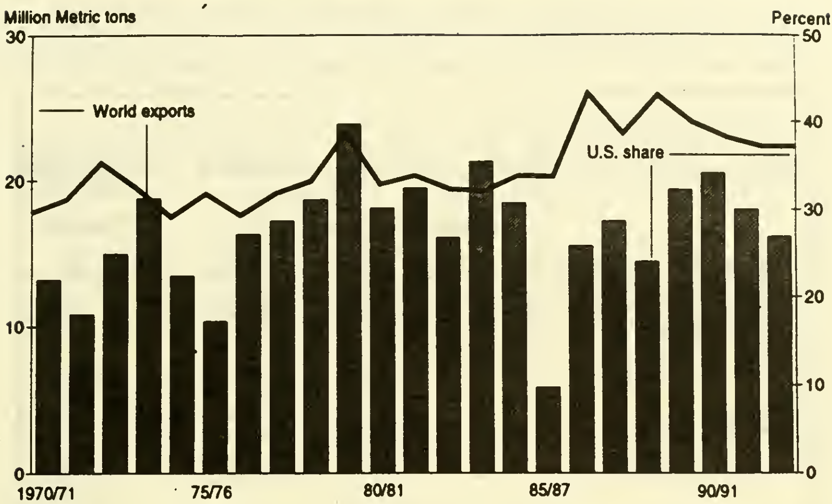
COTTON

* The world cotton outlook for 1992/93 is highlighted by a close balance between production and consumption, with prices under pressure from relatively large stocks. World output is projected at nearly 86 million bales, down 10 million from last season's record, reflecting smaller crops in China, the United States, Pakistan and the former Soviet Union (FSU). Global consumption also is estimated at nearly 86 million bales, less than 1 percent above 1991/92, as sluggish textile activity continues to limit growth in parts of Europe, the Far East and the FSU. World ending stocks are expected to remain near their beginning level of slightly over 40 million bales.

* Global cotton trade during 1992/93 is projected to remain near last season's 22 million bales, reflecting slightly smaller use in major importing countries and continuing emphasis on value-added textile exports by some large producing countries, particularly Pakistan. Faced with more intense competition, the U.S. share of cotton trade is expected to drop 3 percentage points to 27 percent, slightly below the long-term average.

* The 1992/93 U.S. cotton outlook features a smaller crop, a little less use, and a moderate buildup in stocks. Despite near-record yields, smaller harvested acreage cut production 8 percent to 16.3 million bales. Total use may slip about 3 percent, as exports decline 10 percent to 6 million bales. However, domestic demand continues strong and mill use is rising 1 percent to 9.7 million bales. Stocks are projected to increase about one-fifth to 4.4 million bales. This equals 28 percent of expected use, up from last season's relatively low 23 percent, but still shy of the 30-percent target in current legislation.

**World Cotton Exports and U.S. Share**



1992/93 forecast.

World Cotton Supply and U.S. Cotton Exports 1/

| Item | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 F |
|---|---|---|---|---|---|---|
| | | | Million 480-pound bales | | | |
| World | | | | | | |
| Production | 81.1 | 84.4 | 79.8 | 87.0 | 96.0 | 85.7 |
| Use | 84.1 | 85.3 | 86.7 | 85.5 | 85.0 | 85.6 |
| Ending stocks | 32.8 | 31.9 | 26.3 | 28.7 | 40.5 | 40.8 |
| Exports 2/ | | | | | | |
| World | 23.1 | 25.8 | 23.9 | 22.9 | 22.3 | 22.3 |
| U.S. | 6.6 | 6.2 | 7.7 | 7.8 | 6.7 | 6.0 |
| | | | Percent | | | |
| Trade Share | | | | | | |
| U.S. | 29 | 24 | 32 | 34 | 30 | 27 |
| FSU-12 | 15 | 14 | 14 | 9 | 16 | 18 |
| Pakistan | 10 | 15 | 6 | 6 | 9 | 9 |

F - Forecast.
1/ Local marketing year basis. 2/ August/July trade year.

# U.S. COTTON SUPPLY AND DEMAND

| | 1990/91 | 1991/92 | 1992/93 F | CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| | MILLION 480-POUND BALES | | | PERCENT |
| BEGINNING STOCKS | 3.00 | 2.34 | 3.70 | +58 |
| PRODUCTION | 15.51 | 17.61 | 16.26 | -8 |
| TOTAL SUPPLY | 18.51 | 19.97 | 19.96 | +1 |
| MILL USE | 8.66 | 9.61 | 9.70 | +1 |
| EXPORTS | 7.79 | 6.65 | 6.00 | -10 |
| TOTAL USE | 16.45 | 16.25 | 15.70 | -3 |
| ENDING STOCKS | 2.34 | 3.70 | 4.40 | +19 |
| | PERCENT | | | |
| STOCKS/USE RATIO | 14 | 23 | 28 | +22 |
| | CENTS PER POUND | | | |
| AVG. MARKET PRICE | 68.20 | 58.30 1/ | | -- |
| LOAN RATE, UPLAND | 50.27 | 50.77 | 52.35 | +3 |

1/ August-March 1992 weighted average. F = Forecast.

## SUGAR, HORTICULTURAL PRODUCTS AND TOBACCO

* World sugar production is expected to decline in 1992/93. Still, production is likely to exceed consumption for the fourth straight year, leaving world stocks at the end of the season slightly above last year's high level. World prices are not likely to stray far from the 8- to 10-cent band of the last 2 years.

* U.S. sugar production in fiscal year 1992/93 is forecast at a record 7.6 million short tons, raw value, up 4 percent from last year. Larger acreage and good growing conditions in most regions more than offset hurricane damage to sugarcane in Louisiana and Hawaii. Domestic sugar use is expected to rise about 1.5 percent to a little over 9 million short tons.

* The tariff rate import quota for sugar in 1992/93 is 1.36 million short tons, down 10 percent from last year. The Food, Agriculture, Conservation and Trade Act of 1990 requires the Secretary to impose marketing allotments on domestic producers if USDA forecasts indicate import needs of less than 1.25 short tons.

* The U.S. domestic price for raw sugar in January 1993 averaged 20.8 cents per pound, the lowest since 1986.

* U.S. per capita consumption of caloric sweeteners has increased steadily through the last decade. An additional 1.4 percent growth is forecast in 1993. Corn sweetener consumption is increasing more rapidly than sugar consumption.

* Grower cash receipts from vegetables (excluding mushrooms) are forecast at $11.8 billion in 1993, up slightly from 1992. A smaller fall 1992 harvest has improved grower prices for potatoes.

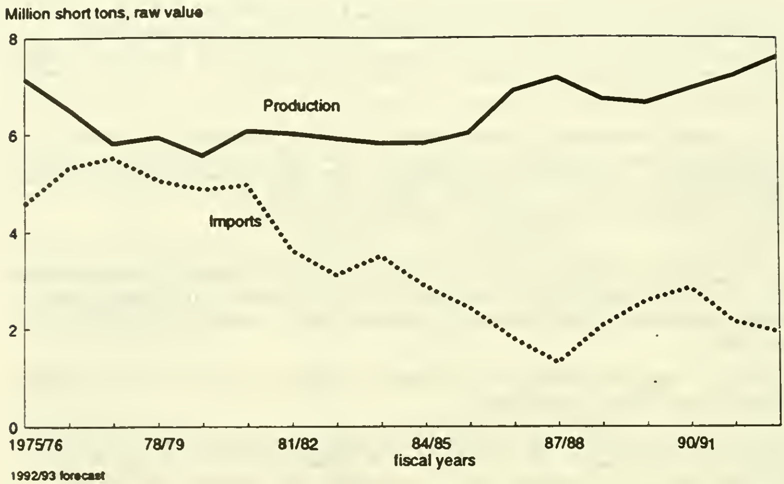
* Cash receipts for fruit and nuts may increase in 1993. Apple growers harvested a record crop in late 1992. Orange production is 1992/93 is forecast up 27 percent from the previous season, and second only to the record harvest of 1979/80. Futures market prices for orange juice in early 1993 were at their lowest point in 16 years.

* Horticultural product exports in fiscal year 1993 are forecast at $7.2 billion, up 5 percent from last year. The forecast is well below the 14-percent leap of fiscal year 1992 because of an economic slowdown in major market countries.

* The greenhouse and nursery industry continues to expand. Grower receipts in 1993 are forecast at $8.8 billion, up 5 percent from last year.

* The U.S. tobacco crop was up 1 percent in 1992, and 1992/93 beginning stocks also were up. However, prices are stable, due in part to higher support prices.

U.S. Sugar Production and Imports

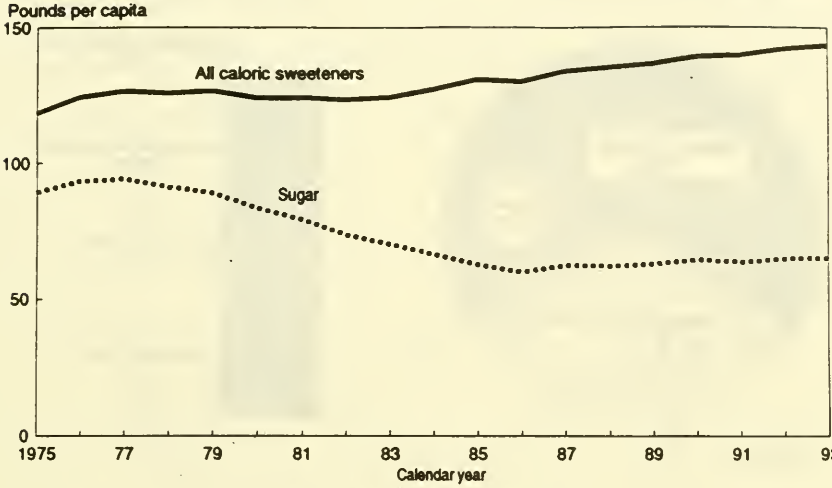



U.S. Sugar Supply and Use, Fiscal Years

| Description | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 F |
|---|---|---|---|---|---|---|
| | 1,000 short tons, raw value | | | | | |
| Beginning stocks 1/ | 1,497 | 1,316 | 1,224 | 1,210 | 1,513 | 1,358 |
| Total production | 7,146 | 6,712 | 6,623 | 6,915 | 7,279 | 7,600 |
| Total imports 2/ | 1,291 | 2,062 | 2,568 | 2,825 | 2,130 | 1,927 |
| Total supply | 9,934 | 10,090 | 10,415 | 10,950 | 10,922 | 10,885 |
| Total exports | 440 | 516 | 614 | 682 | 635 | 490 |
| Total deliveries | 8,193 | 8,264 | 8,531 | 8,773 | 8,892 | 9,025 |
| Total use 3/ | 8,618 | 8,866 | 9,205 | 9,437 | 9,564 | 9,590 |
| Ending stocks 1/ | 1,316 | 1,224 | 1,210 | 1,513 | 1,358 | 1,345 |

F - Forecast.
1/ Stocks in hands of U.S. primary distributors and CCC. 2/ Quota sugar imports were 0.87, 1.38, 1.95, 2.3, 1.5 million, in 1987/88-1991/92, and are forecast at 1.3 million in fiscal 1992/93. 3/ Includes CCC disposal, polyhydric alcohol, refining loss, and statistical discrepancy as well as total deliveries and total exports.

## U.S. Caloric Sweetener Consumption



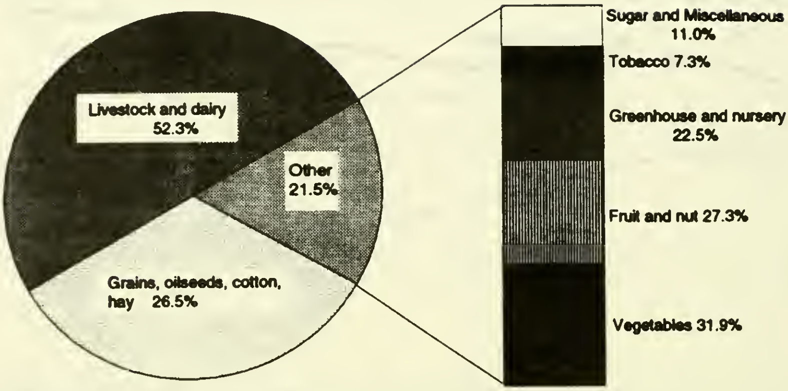

1993 forecast. Caloric sweeteners include sugar, corn sweeteners, honey, and edible syrups.

Per Capita Consumption of Caloric Sweeteners, Calendar Years

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 F |
|---|---|---|---|---|---|---|
| | | | Pounds | | | |
| Sugar use 1/ | 62.1 | 62.8 | 64.4 | 63.7 | 64.6 | 65.0 |
| All caloric sweeteners 2/ | 135.1 | 136.4 | 139.0 | 139.6 | 142.0 | 143.5 |

F - Forecast.
1/ Does not include sugar in imported blends. 2/ Comprises sugar, corn sweeteners, honey, and edible syrups.

Other Crops' Share of Cash Receipts




1989-92 average.

Other Crops: Cash Receipts

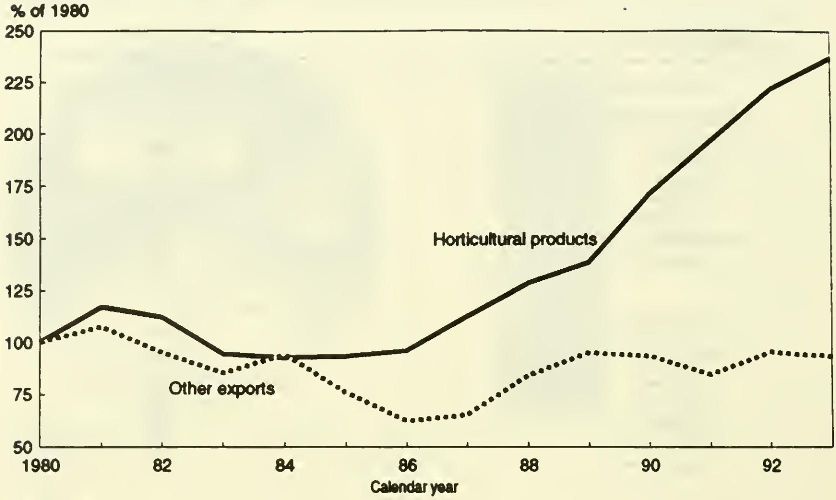
| Crop | 1988 | 1989 | 1990 | 1991 | 1992 F |
|---|---|---|---|---|---|
| | | | Million dollars | | |
| Vegetables | 9,787 | 11,534 | 11,455 | 11,293 | 12,000 |
| Fruits & nuts | 9,202 | 9,296 | 9,534 | 9,882 | 10,000 |
| Greenhouse & nursery | 7,081 | 7,617 | 8,227 | 8,405 | 9,000 |
| Tobacco | 2,083 | 2,415 | 2,741 | 2,886 | 3,000 |
| Miscellaneous | 3,691 | 3,818 | 4,057 | 4,110 | 4,000 |
| Total | 31,844 | 34,680 | 36,014 | 36,576 | 38,000 |

F - Forecast.

Other Crops: Leading Products, 1991

| Product | Cash receipts |
|---|---|
| | Million dollars |
| Fruit and nuts | |
| Apples | 1,659 |
| Grapes | 1,619 |
| Oranges | 1,565 |
| Strawberries | 634 |
| Almonds | 540 |
| Peaches | 392 |
| Vegetables | |
| Potatoes | 2,048 |
| Tomatoes | 1,799 |
| Lettuce | 818 |
| Onions | 604 |
| Beans, dry | 512 |
| Corn, sweet | 494 |
| Other | |
| Sugarbeets | 1,217 |
| Cane for sugar | 902 |
| Mushrooms | 668 |

Horticultural Product Exports




1993 forecast.

Horticultural Product Exports 1/

| Fiscal years | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 F |
|---|---|---|---|---|---|---|
| | | | Billion dollars | | | |
| Horticultural | 3.9 | 4.2 | 5.2 | 6.0 | 6.7 | 7.1 |
| Fruits | 1.7 | 1.8 | 2.2 | 2.4 | 2.8 | 3.0 |
| Nuts | .9 | .9 | .9 | 1.0 | 1.1 | 1.1 |
| Vegetables | 1.3 | 1.6 | 2.1 | 2.6 | 2.8 | 3.0 |
| | | | Percent | | | |
| Share of total agricultural exports | 11.0 | 10.6 | 12.9 | 16.0 | 16.0 | 17.1 |

F - Forecast.
1/ Fiscal year data.

LIVESTOCK AND POULTRY

* World meat production is rising in 1993, with both pork and poultry gaining. Pork production is expected to increase more than 3 percent this year after having been up about 2 percent in 1991 and 1992. Beef production likely will slip slightly this year, following a decline of nearly 2 percent in 1992. World poultry meat production is expected to increase over 4 percent in 1993, continuing the strong upward trend in output. Poultry meat output was up nearly 4 percent in 1992 and more than 5 percent in both 1990 and 1991.

* U.S. total meat output continues to increase, setting a record each year. In 1993, meat production is expected to increase about 3 percent from the year-earlier level. With large increases in both pork and broilers, total meat production in 1992 was up more than 4 percent.

* The large increases in meat output have pushed U.S. per capita meat consumption to unprecedented levels. Per capita consumption likely will top 212 pounds (retail weight basis) in 1993, up from around 209 last year. Per capita consumption was 199-200 pounds from 1985 through 1987 and 200-203 pounds from 1988 through 1991. Year-after-year gains in poultry account for most of the increase seen since the mid 1980's. But, pork consumption increased sharply in 1992 and another increase is likely in 1993.

* U.S. beef production in 1992 was up almost 1 percent as a result of slightly heavier weights and a little larger slaughter. During the first half of the year, slaughter weights were up sharply from the year-earlier level, but later in the year they fell short of the high levels of the last half of 1991. Fed cattle slaughter in 1992 was down a little from the 1991 level but cow slaughter increased. Cow slaughter in 1991 was probably at its low point for this phase of the cattle cycle. Cow slaughter is expected to rise slightly in 1993. Fed cattle slaughter in 1993 is forecast to increase as a growing cattle inventory supplies larger numbers of calves to go into feedlots. Relatively low feed prices will also help support more cattle feeding this year. Average slaughter weights likely will hold near the high levels of 1992 and beef production is expected to increase 1-2 percent.

* Fed cattle prices were remarkably stable in 1992 with quarterly averages showing only about a $2 per cwt variation. For the year, Choice slaughter steer prices for the Nebraska direct market averaged around $75 per cwt. Prices are forecast to average around $74 in 1993. A stronger economy is expected to help offset the effect of slightly larger beef output and a large increase in pork and poultry.

* Pork producers had favorable returns for over 2 years before margins were squeezed in late 1991 by declining hog prices. Returns were still squeezed in 1992 but hog prices generally remained above cash production costs. Hog producers are still increasing their inventories despite the squeeze on returns. On December 1, 1992, the inventory of all hogs and pigs was up 4 percent from a year earlier. Pork production was up almost 8 percent in 1992 and further increases are anticipated this year. The larger pork and total meat supplies resulted in lower hog prices. Last year hog prices averaged about $6.50 per cwt below the 1991 level. This year prices are expected to slip only slightly from the 1992 average.

* Broiler production continued its upward trend in 1992, increasing over 6 percent, about the same gain as seen in 1991. Broiler prices in 1992 averaged nearly the same as the previous year's level, and producers still had favorable returns. Production gains will slow to around 4 percent in 1993. Broiler prices in 1993 are expected to average about the same as in 1992.

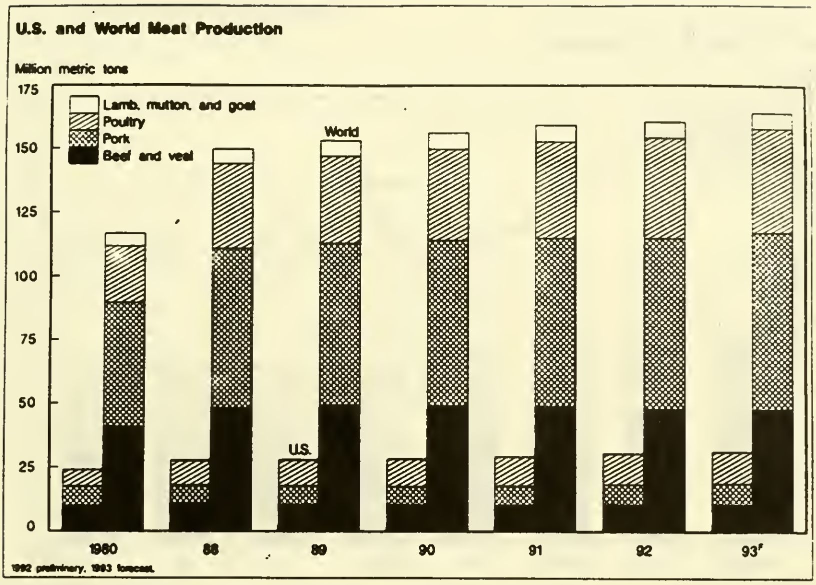
* From 1985 through 1990, turkey production increased about 60 percent. But production gains slowed after producers had poor returns in 1991 and 1992. Output was up 2 percent in 1991 and about 3 1/2 percent in 1992. Returns continue to be squeezed by relatively low turkey prices and this likely will keep the brakes on expansion this year, holding the increase to 1-2 percent.

* U.S. beef imports totaled a little over 2.4 billion pounds in 1992, up slightly from the 1991 level. Imports in 1992 were equal to slightly more than 10 percent of U.S. beef production. Beef imports are expected to decline around 3 percent in 1993. Beef exports increased sharply again in 1992, rising over 11 percent above the year-earlier level and almost a third above 1990. Exports in 1992 were equal to nearly 6 percent of U.S. beef production. Further increases in exports are anticipated for 1993 as shipments to the Japanese and other Asian markets continue to expand.

* U.S. pork imports in 1992 were down around 17 percent from the year-earlier level as imports from the major exporters, particularly Denmark, declined. In 1993, imports likely will increase some, but continued low U.S. pork prices will not make the U.S. market as attractive as it was a few years ago. U.S. pork exports in 1992 increased about 40 percent from the 1991 level. Sharp increases in exports to Japan and Mexico were primary contributors. Exports are expected to increase about 13 percent this year. In 1992, pork imports were equal to less than 4 percent of U.S. pork production while exports were equal to a little over 2 percent.

* Exports of broiler meat increased about 15 percent in 1992, equaling about 7 percent of production. There were gains for most of the major markets, but exports to the former USSR were off sharply. Exports to the traditional markets are likely to remain strong in 1993, resulting in a small increase in total exports.

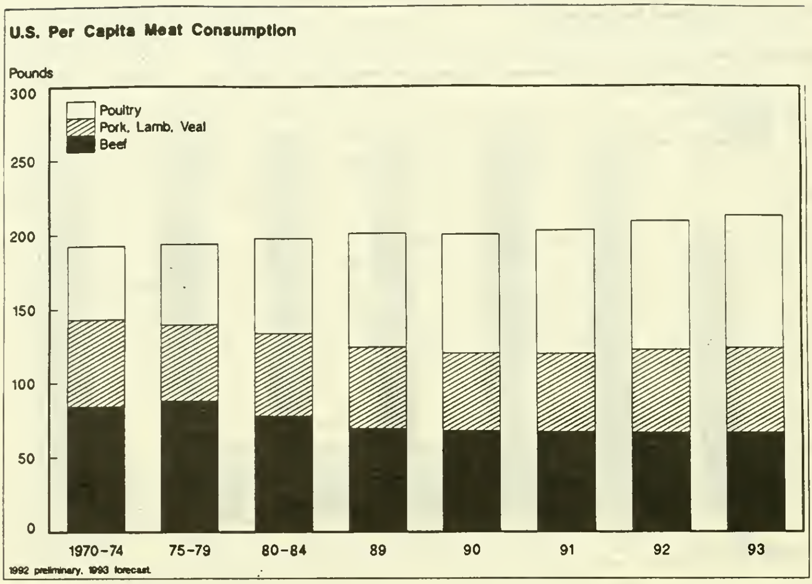
* Retail meat prices declined about 1 percent in 1992 while poultry prices were little changed from a year earlier. With the large meat and poultry supplies anticipated for 1993, retail meat and poultry prices are expected to decline slightly. Retail beef prices are expected to be about unchanged while pork prices slip slightly and poultry prices decline 1-2 percent.




U.S. and World Meat Production

| Item | 1980 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | Million metric tons | | | | | |
| Beef and veal | | | | | | |
| U.S. | 10.0 | 10.6 | 10.5 | 10.5 | 10.6 | 10.8 |
| World | 40.8 | 48.4 | 49.1 | 48.9 | 47.8 | 47.8 |
| Pork | | | | | | |
| U.S. | 7.5 | 7.2 | 7.0 | 7.3 | 7.8 | 8.1 |
| World | 48.8 | 63.5 | 64.8 | 65.9 | 67.1 | 69.3 |
| Poultry | | | | | | |
| U.S. | 6.4 | 9.9 | 10.6 | 11.2 | 11.9 | 12.2 |
| World | 22.2 | 34.0 | 35.8 | 37.8 | 39.2 | 40.9 |
| Lamb, mutton, and goat | | | | | | |
| U.S. | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| World | 4.9 | 6.1 | 6.4 | 6.5 | 6.3 | 6.3 |

F - Forecast. P - Preliminary.

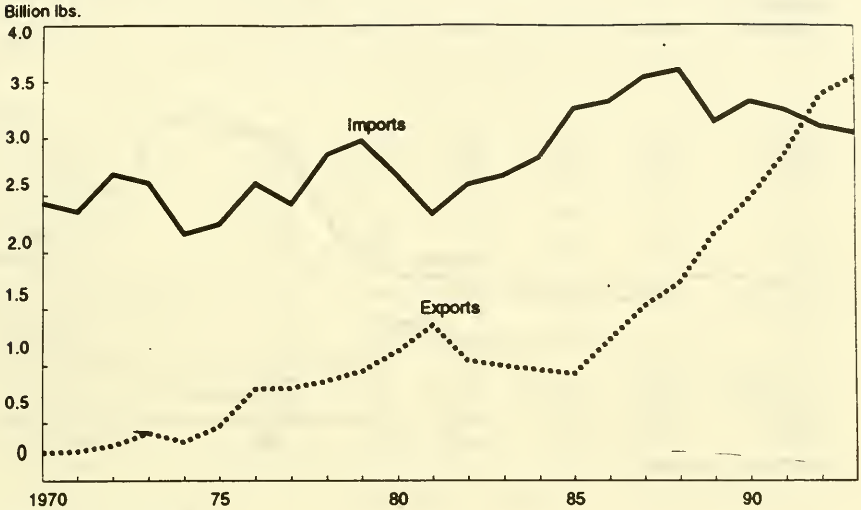



Per Capita Meat Consumption (Retail Weight Basis)

| Item | 1980 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | | | Pounds | | | |
| Beef | 76.5 | 69.3 | 67.8 | 66.8 | 66.4 | 66.4 |
| Veal | 1.5 | 1.2 | 1.1 | 1.0 | 1.0 | 1.0 |
| Pork | 57.3 | 52.0 | 49.8 | 50.3 | 53.2 | 54.5 |
| Lamb and mutton | 1.4 | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 |
| Total red meat | 136.6 | 124.0 | 120.1 | 119.6 | 122.0 | 123.3 |
| Broilers | 47.0 | 58.7 | 49.8 | 63.9 | 67.0 | 68.8 |
| Turkeys | 10.5 | 17.2 | 18.4 | 18.0 | 17.9 | 18.2 |
| Other chicken | 3.1 | 2.1 | 2.2 | 1.7 | 1.8 | 2.2 |
| Total poultry | 60.6 | 77.2 | 80.5 | 83.6 | 86.7 | 89.2 |
| Total meat | 197.2 | 201.2 | 200.6 | 203.2 | 208.6 | 212.5 |

P - Preliminary. F - Forecast.

## U.S. Red Meat and Poultry Trade

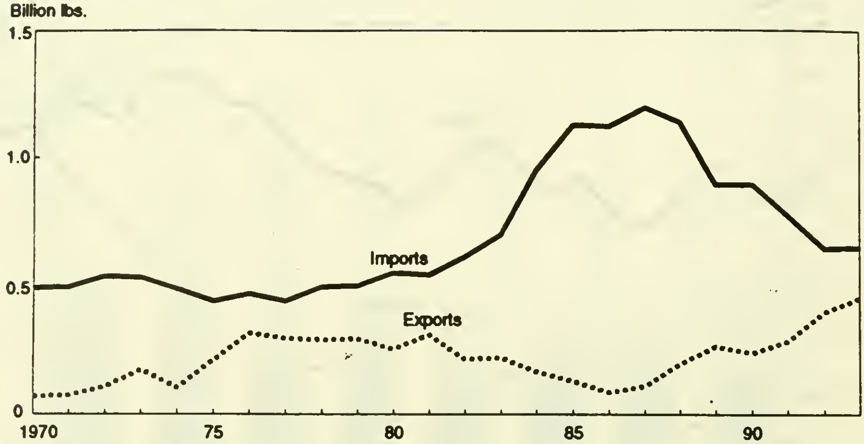



1992 preliminary. 1993 forecast.

## U.S. Beef Trade

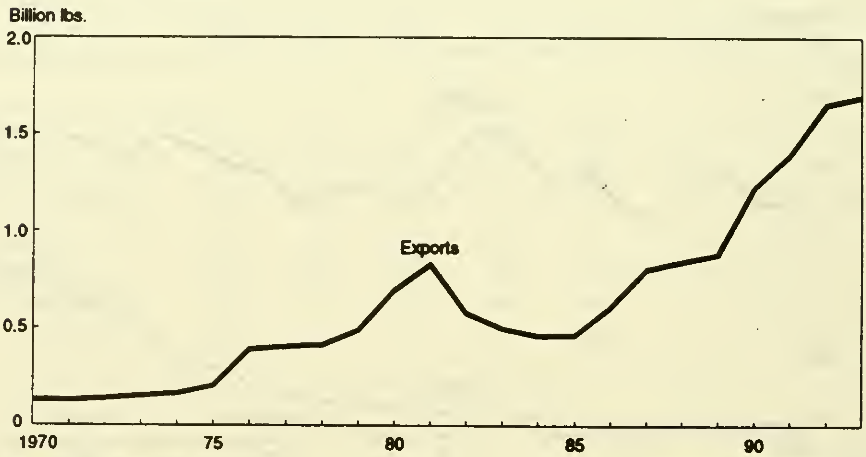

1992 preliminary. 1993 forecast.

U.S. Pork Trade




1992 preliminary. 1993 forecast.

U.S. Poultry Trade



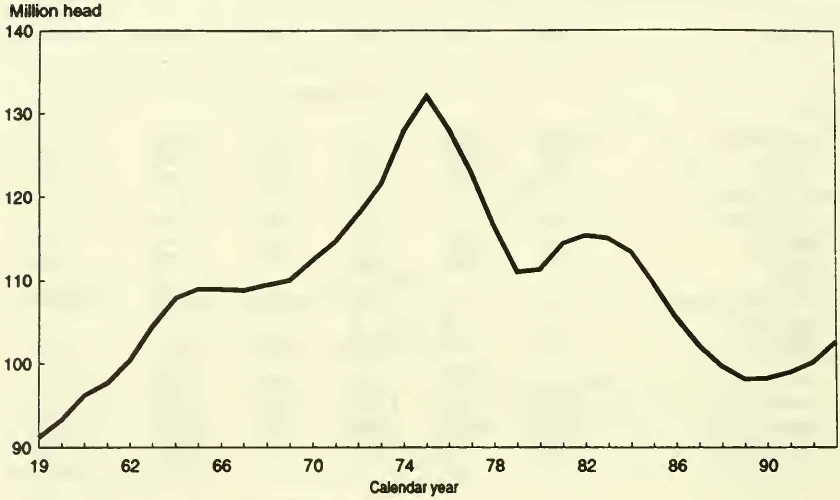

1992 preliminary. 1993 forecast.

U.S. Meat Production and Trade

| Item | 1980 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | Million pounds | | | | | |
| Beef | | | | | | |
| Production | 21,643 | 23,087 | 22,743 | 22,917 | 23,110 | 23,492 |
| Imports | 2,064 | 2,178 | 2,356 | 2,406 | 2,420 | 2,335 |
| Exports | 173 | 1,023 | 1,006 | 1,188 | 1,325 | 1,400 |
| Pork | | | | | | |
| Production | 16,616 | 15,813 | 15,354 | 15,999 | 17,240 | 17,901 |
| Imports | 550 | 896 | 898 | 775 | 644 | 650 |
| Exports | 252 | 262 | 238 | 283 | 397 | 400 |
| Poultry | | | | | | |
| Net RTC Production | 14,173 | 21,894 | 23,468 | 24,701 | 26,130 | 26,994 |
| Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Exports | 695 | 878 | 1,222 | 1,392 | 1,653 | 1,694 |
| Total meats | | | | | | |
| Net Production | 53,151 | 61,496 | 62,255 | 64,286 | 67,138 | 69,056 |
| Imports | 2,668 | 3,137 | 3,313 | 3,241 | 3,130 | 3,045 |
| Exports | 1,126 | 2,165 | 2,469 | 2,867 | 3,379 | 3,546 |
| Net imports | 1,542 | 972 | 844 | 374 | (249) | (501) |
| Exports( ) | | | | | | |
| | Percent of production | | | | | |
| Beef | | | | | | |
| Imports | 9.5 | 9.4 | 10.4 | 10.5 | 10.5 | 9.9 |
| Exports | 0.8 | 4.4 | 4.4 | 5.2 | 5.7 | 6.0 |
| Pork | | | | | | |
| Imports | 3.3 | 5.7 | 5.8 | 4.8 | 3.7 | 3.6 |
| Exports | 1.5 | 1.7 | 1.6 | 1.8 | 1.7 | 2.2 |
| Poultry | | | | | | |
| Exports | 4.9 | 4.0 | 5.2 | 5.6 | 6.3 | 6.3 |
| Total meats | | | | | | |
| Net imports | 2.9 | 1.6 | 1.4 | 0.6 | (0.4) | (0.7) |

P - Preliminary. F - Forecast.

U.S. Cattle and Calf Inventory



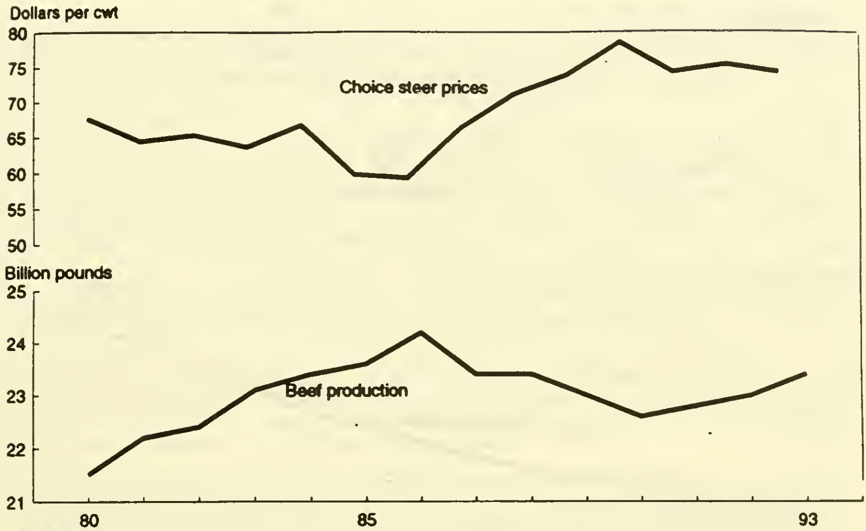

As of January 1. 1993 forecast.

Cattle Balance Sheet

| Item | 1980 | 1985 | 1990 | 1991 | 1992 | 1993 F |
|---|---|---|---|---|---|---|
| | | | Million head | | | |
| Beginning inventories | 111.2 | 109.6 | 98.2 | 98.9 | 100.1 | 102.6 |
| Calf crop | 44.9 | 41.0 | 39.2 | 39.3 | 39.5 | 40.2 |
| Supply | 156.9 | 151.5 | 139.5 | 140.1 | 139.6 | 142.8 |
| Slaughter | 36.8 | 40.0 | 35.3 | 34.3 | 34.5 | 34.9 |
| Death loss | 5.4 | 5.0 | 4.4 | 4.4 | 4.4 | 4.4 |
| Disappearance | 42.3 | 45.2 | 39.8 | 39.1 | 39.2 | 39.6 |
| Ending inventory | 114.4 | 105.4 | 98.9 | 100.1 | 102.6 | 105.7 |

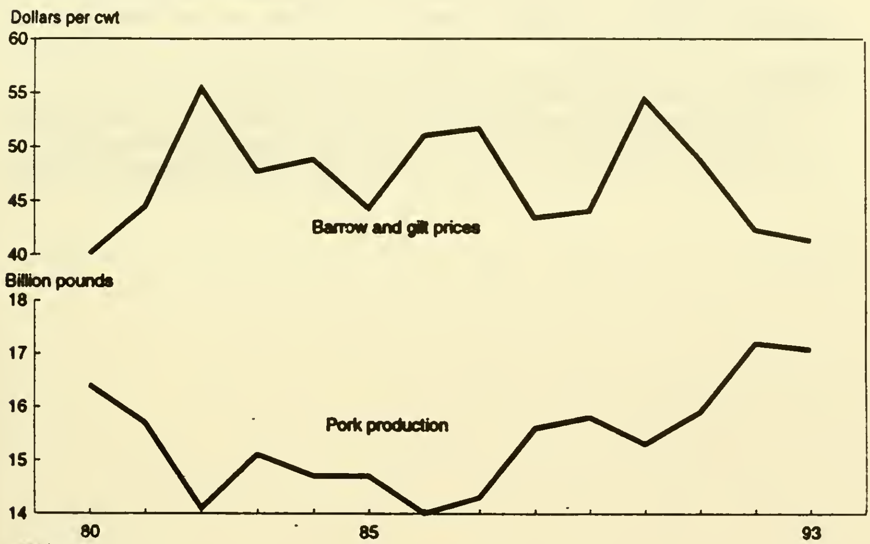
F - Forecast.

**Beef Production and Steer Prices**



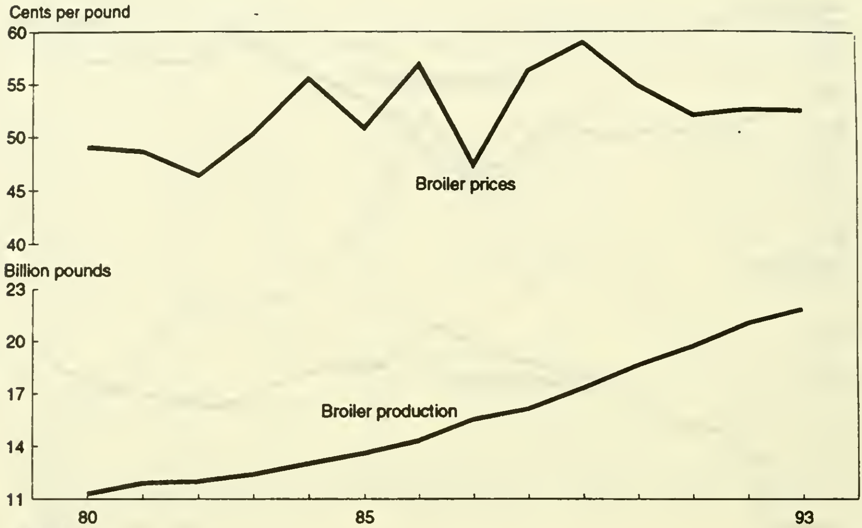

1993 forecast.

**Pork Production and Prices**




1993 forecast.

**Broiler Production and Prices**




1993 forecast.

DAIRY

* Milk production in 1992 was up nearly 2 1/2 percent from the previous year. The size of the dairy cow herd declined almost 1 1/2 percent while output per cow increased about 4 percent. Gains in output per cow and total milk production accelerated during the summer, spurred mainly by unseasonably cool temperatures in the major dairy areas of the Midwest and Northeast.

* The number of milk cows is expected to continue to decline in 1993 but the rate of decline likely will slow from that of the past 2 years. Output per cow is expected to increase in 1993 but the gain will be small. With more normal temperatures this summer, milk output per cow during the summer months probably will not match the high 1992 levels. Thus, milk production in 1993 is projected to be about the same as it was in 1992.

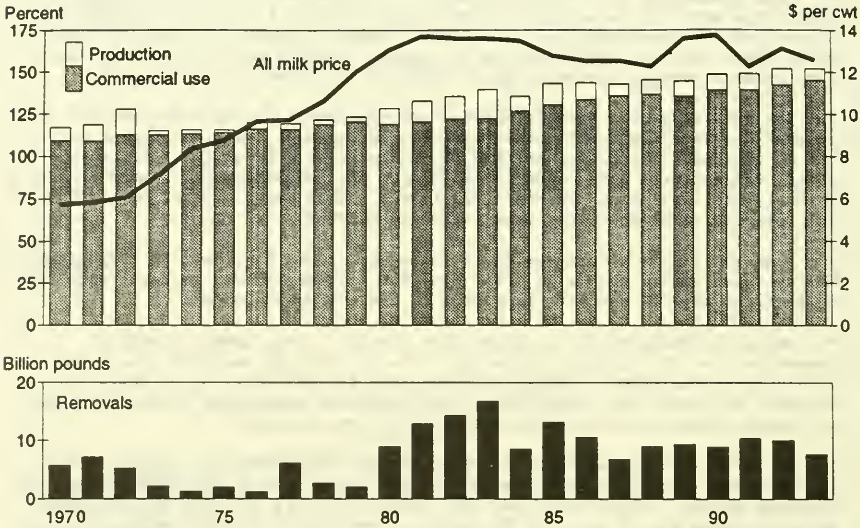
* Commercial use of dairy products increased around 2 percent in 1992 after having shown little change in 1991. In 1993, commercial use is again expected to increase about 2 percent, supported by the stronger economy.

* Among the dairy products, cheese has shown a strong upward trend in commercial use during the past decade. The use of both American cheese and other cheese has grown. Commercial use gains in 1992 were led by the strong movement of cheese and nonfat dry milk. While not showing as strong of a gain as cheese, commercial use of butter in 1992 also increased.

* In 1992, milk prices began the year sharply above the year-earlier level. The year-over-year gains narrowed during the summer and in the last quarter of the year prices dropped below the 1991 level. For all of 1992, the all-milk price averaged $13.10 per cwt, 86 cents per cwt above the 1991 average. During most of 1993 prices are expected to remain below the level of the previous year, but fourth-quarter prices are projected to average above the year-earlier level. For all of 1993, the all-milk price is projected to average about 50 cents below the 1992 level. Large exports under the Dairy Export Incentive Program (DEIP) are expected to help support prices this year.

* Net removals during 1992 totaled about 10.1 billion pounds milk equivalent (milkfat basis). The removals were heavily weighted toward butter. In 1993, net removals are forecast to total 7-8 billion pounds (milk equivalent, milkfat basis). Purchases will again consist of large quantities of butter. Most of the nonfat dry milk and cheese that is removed from the commercial market will be through the DEIP.

U.S. Milk Production, Use, Price, and Removals



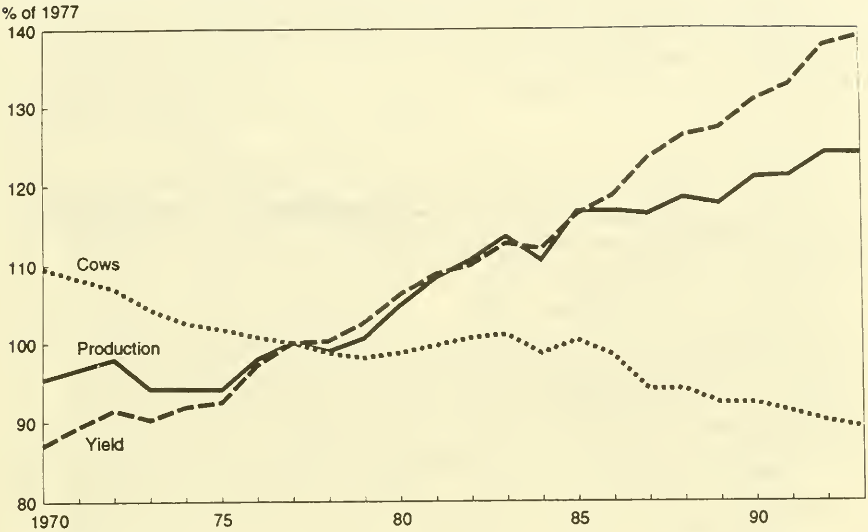

1992 preliminary. 1993 forecast.

U.S. Milk Production, Use, Prices, and Removals by Calendar Year

| Item | 1980 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | | | Billion pounds 1/ | | | |
| Production | 128.4 | 144.2 | 148.3 | 148.5 | 152.0 | 152.0 |
| Commercial use | 118.9 | 135.4 | 139.0 | 139.4 | 142.2 | 145.2 |
| Net CCC removals | 9.0 | 9.4 | 9.0 | 10.4 | 10.1 | 7.7 |
| | | | Dollars per cwt | | | |
| All milk, price received by farmers | 13.05 | 13.56 | 13.73 | 12.24 | 13.11 | 12.55 |

1/ Milk equivalent, fat basis. P - Preliminary. F - Forecast.

**Milk Production, Number of Cows, and Milk per Cow**




1992 preliminary. 1993 forecast.

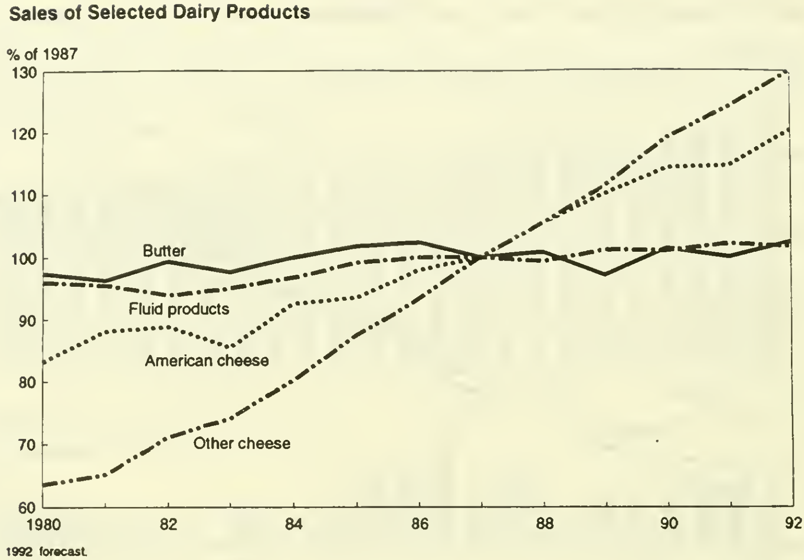
U.S. Milk Production, Milk Per Cow, and Milk Cows

| Item | 1980 | 1989 | 1990 | 1991 | 1992 P | 1993 F |
|---|---|---|---|---|---|---|
| | | | Billion pounds | | | |
| Production | 128.4 | 144.2 | 148.3 | 148.5 | 152.0 | 152.0 |
| | | | Pounds per cow | | | |
| Milk per cow | 11,891 | 14,244 | 14,646 | 14,868 | 15,437 | 15,580 |
| | | | Million head | | | |
| Cows 1/ | 10.8 | 10.1 | 10.1 | 10.0 | 9.8 | 9.8 |

1/ Average number on farms during year. P - Preliminary. F - Forecast.



67-445 O—93——13




Sales of Selected Dairy Products

| Product | 1980 | 1988 | 1989 | 1990 | 1991 | 1992 P |
|---|---|---|---|---|---|---|
| | | | Million pounds | | | |
| Fluid 1/ | 54,857 | 56,748 | 57,781 | 57,696 | 58,323 | 58,025 |
| Butter 2/ | 879 | 910 | 876 | 915 | 903 | 925 |
| American cheese 2/ | 2,024 | 2,570 | 2,683 | 2,784 | 2,792 | 2,933 |
| Other cheese 2/ | 1,828 | 3,035 | 3,209 | 3,426 | 3,575 | 3,760 |
| Nonfat dry milk 2/ | 539 | 734 | 873 | 698 | 663 | 700 |

P - Preliminary.
1/ All fluid milk, cream, and specialty products. 2/ Commercial disappearance (including commercial exports).

## GOVERNMENT PROGRAMS

* In the farm income accounts, direct cash Government payments (through commodity programs such as deficiency and diversion payments, and through reserve storage, conservation programs, and disaster assistance) are measured for the calendar year. This is in contrast to the President's and USDA's official budget forecasts which are on a fiscal-year basis. Thirty to forty percent of direct payments are made in the fourth calendar quarter, mainly wheat and conservation rental payments.

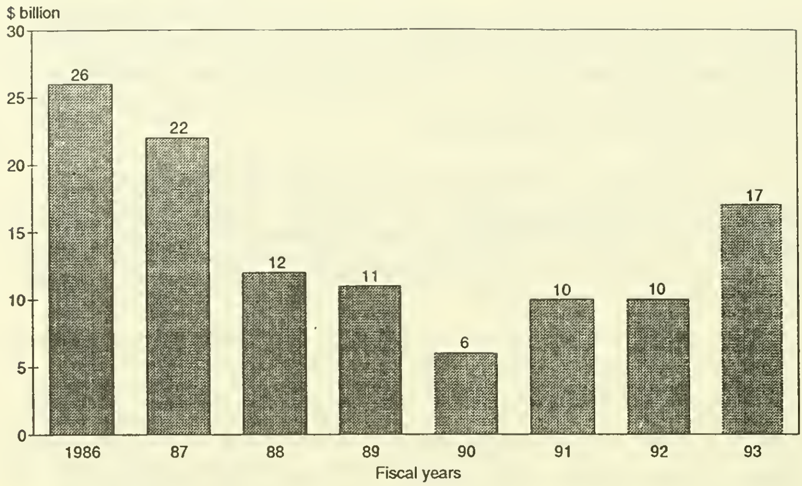
* In mid-January, ASCS released its calendar 1992 monthly cash and certificate disbursals. These show total 1992 payments of $8.9 billion, compared with $8.2 billion in 1991. Lower 1992 wheat payments were offset by $1.2 billion in disaster assistance. Another $800 million in disaster assistance is approved for disbursal in 1993 and, with lower feed-grain prices expected in response to the record 1992/93 feed crop, 1993 payment forecasts will probably rise 8 to 11 percent.

* Direct payments represent only a portion of total support provided farmers through farm commodity programs. Support is also provided through the Commodity Credit Corporation (CCC) loan program which allows farmers to use their program commodities as collateral for loans. Net CCC loan values are forecast to total about $1.3 billion in 1993, $400 million less than in 1992. Benefits provided farmers through commodity program payments and CCC loans are not net of the costs that are incurred in order to establish eligibility. For example, in the past few years, farmers have had to devote from 5 to 25 percent of their wheat, feed-grain, cotton, or rice base acreage to a conserving use to receive program benefits. Farmers incur a cost to seed and maintain conserving use acres. To determine net benefits from program participation, costs of participation would need to be subtracted from the gross amount of payments and other benefits.

* According to USDA's Farm Costs and Returns Surveys, cotton farms typically receive the highest per-farm payments (averaging $18,974 in 1990, down from $36,900 in 1989). These farms account for only 10 percent of total U.S. payments, but 95 percent of cotton farms reported receiving payments. Payments accounted for 9.3 percent of cotton farms' 1990 gross cash income. The more numerous cash grain farms received an average $9,027 in 1990 payments, or 11.7 percent of total gross cash income.

* Given expectations for 1993, the record 1992/93 feed-grain crop will depress prices. The higher production will likely offset most if not all of the price decline, causing feed-grain cash receipts to rise 1 to 3 percent. At the same time, lower market prices will increase feed-grain deficiency payments. The combination of the two forces, with only slight expense increases, will result in improved 1993 net cash incomes for most feed-grain producers.

Farm Program Outlays

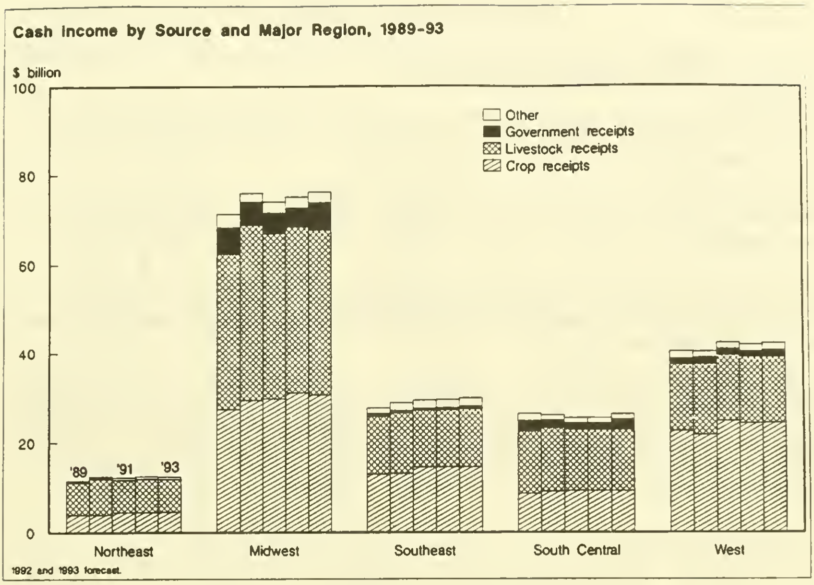



1992 preliminary. 1993 forecast

CCC Net Outlays by Program

| Item | FY 1988 | FY 1989 | FY 1990 | FY 1991 | FY 1992 | FY 1993 F |
|---|---|---|---|---|---|---|
| | Billion dollars | | | | | |
| Feed grains | 9.1 | 3.4 | 2.7 | 2.7 | 2.5 | 5.9 |
| Wheat | 0.7 | 0.0 | 0.8 | 3.0 | 1.7 | 2.3 |
| Rice | 0.1 | 0.6 | 0.7 | 0.9 | 0.7 | .9 |
| Cotton | 0.7 | 1.5 | -0.1 | 0.4 | 1.4 | 2.4 |
| Other | 1.9 | 5.0 | 2.4 | 3.1 | 3.4 | 5.6 |
| Total | 12.5 | 10.5 | 6.5 | 10.1 | 9.7 | 17.1 |

F = Forecast




Gross Cash Income, by Source and Region, 1992 1/

| Region | Crop Receipts | Livestock Receipts | Direct Payments | Other | Total |
|---|---|---|---|---|---|
| | | | Billion dollars | | |
| Northeast | 4.5 | 7.4 | .1 | .5 | 12.5 |
| Midwest | 31.2 | 37.3 | 4.2 | 2.4 | 75.1 |
| Southeast | 14.5 | 12.8 | .5 | 1.8 | 29.6 |
| South Central | 9.2 | 13.5 | 1.7 | 1.1 | 25.5 |
| West | 24.3 | 14.8 | 1.3 | 1.5 | 41.9 |

1/ Forecast for calendar 1992.

## FOOD PRICES AND PROGRAMS

* The Consumer Price Index (CPI) for food is expected to rise 2 to 4 percent in 1993, a slightly higher pace than 1992.

* Recovery from the recession will bring gains in personal income and growth in consumer demand for food. Inflation will remain relatively low, keeping price rises moderate.

* Increases in the costs of processing and distributing food in 1993 will be moderated by the low inflation rate, holding down cost increases in the non-farm component of food prices.

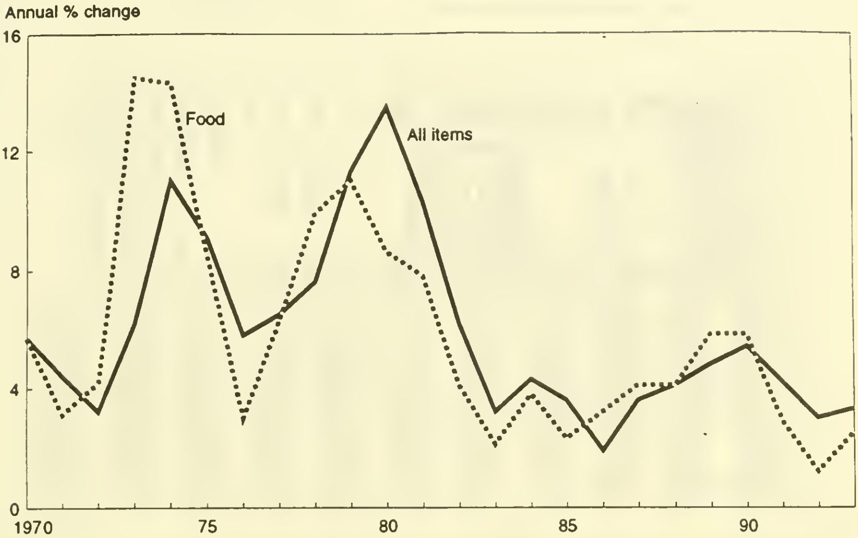
* Supplies of most farm foods will be ample in 1993 and the farm value of food will remain stable. Increases in red meat and poultry production will mean record large meat supplies. However, increased consumer demand will keep meat prices near 1992 levels.

* Fruit prices will remain stable in 1993 as large supplies of oranges from both Florida and California come to market. Orange production in California has made a sharp comeback from the devastating freeze two years ago. Florida production, most of which is processed for orange juice, is expected to be 34 percent above last season. With ample supplies of apples and other fruits, prices are expected to remain close to 1992 averages.

* Fiscal 1992 saw record food assistance spending of 33.6 billion, an increase of 16 percent over 1991. Food Stamp Program costs rose by about 19 percent in 1992, while costs of the Women, Infant, and Children (WIC) program rose 12 percent. National School Lunch Program costs increased by 9 percent.

* In fiscal 1993, food program spending is expected to total $36 billion.

## Consumer Price Index




1993 forecast.

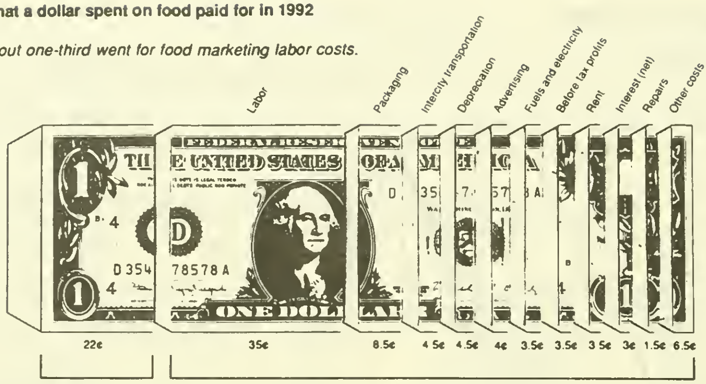
Changes in the Consumer Price Index

| Item | 1980 | 1989 | 1990 | 1991 | 1992 | 1993 F |
|---|---|---|---|---|---|---|
| | | | Percent | | | |
| All items | 13.5 | 4.8 | 5.4 | 4.2 | 3.0 | 3.3 |
| Housing | 15.7 | 3.8 | 4.5 | 4.0 | 2.9 | NA |
| Medical care | 10.9 | 7.7 | 9.0 | 8.7 | 7.4 | NA |
| Transportation | 17.8 | 5.0 | 5.6 | 2.7 | 2.2 | NA |
| Energy | 34.7 | 5.6 | 8.3 | 0.4 | 0.5 | NA |
| Food 1/ | 8.6 | 5.8 | 5.8 | 2.9 | 1.2 | 2-4 |

F = Forecast. NA = Not available.
1/ Excludes alcoholic beverages.

**What a dollar spent on food paid for in 1992**

*About one-third went for food marketing labor costs.*

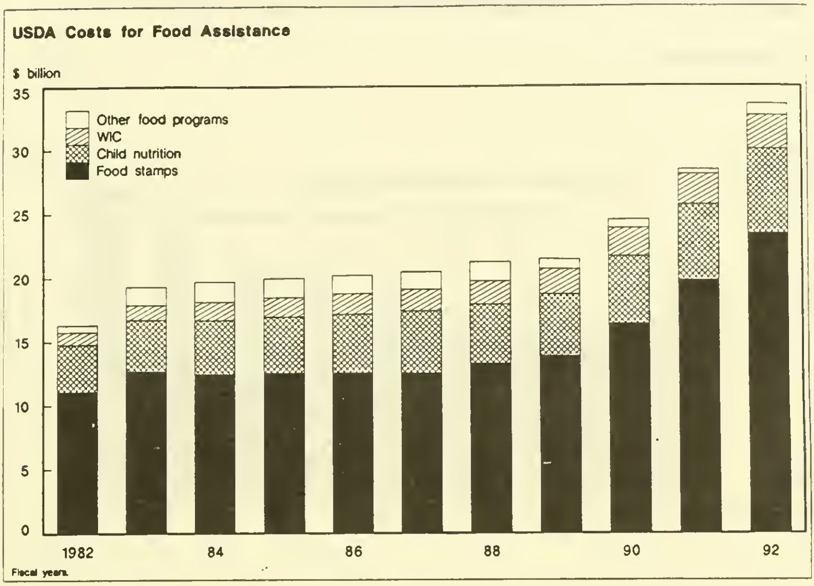



Includes food eaten at home and away from home Other costs include property taxes and insurance, accounting and professional services, promotion, bad debts and many miscellaneous items

Marketing Bill, Farm Value, and Consumer Expenditures for Farm Foods

| Item | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 P |
|---|---|---|---|---|---|---|
| | | | Billion dollars | | | |
| Consumer expenditures | 375.5 | 398.8 | 419.4 | 449.8 | 468.5 | 476.4 |
| Farm Value | 90.4 | 96.8 | 103.8 | 106.2 | 101.5 | 105.6 |
| Marketing Bill | 285.1 | 301.9 | 315.6 | 343.6 | 367.0 | 370.8 |

P - Preliminary.




Food Assistance Expenditures 1/

| Items | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|---|---|---|---|---|
| | | | Million $ | | |
| Food stamps 2/ | 13,239 | 13,820 | 16,450 | 18,768 | 23,424 |
| Women, Infants, and Children (WIC) Program | 1,847 | 1,963 | 2,191 | 2,363 | 2,651 |
| Child nutrition | 4,640 | 4,888 | 5,315 | 5,946 | 6,641 |
| Food Donations 3/ | 992 | 641 | 616 | 631 | 623 |
| Other Programs 4/ | 510 | 146 | 77 | 118 | 237 |
| Total | 21,221 | 21,453 | 24,649 | 27,826 | 33,576 |

1/ Fiscal years. 2/ Food stamps include nutrition assistance for Puerto Rico. 3/ Food distribution on Indian reservations, nutrition programs for elderly, charitable institutions, and TEFAP. 4/ Includes administration costs and surplus commodities.

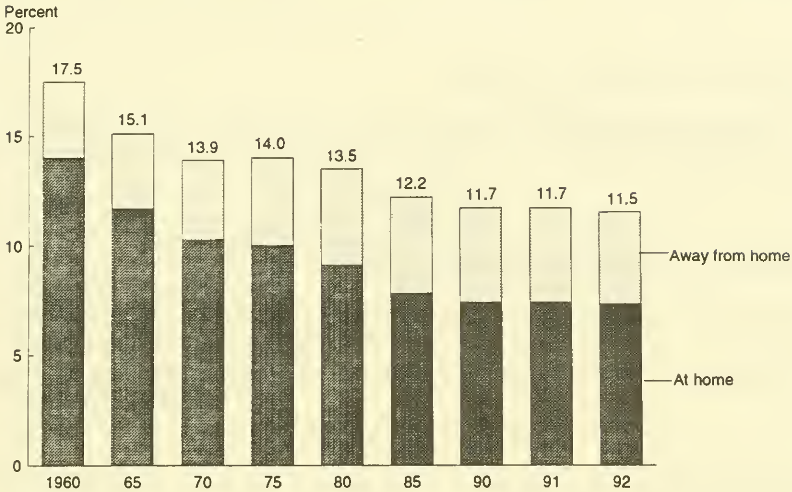
## Unemployment Rate and Participation in the Food Stamp Program


Seasonally adjusted fiscal year data.

Food Stamp Program Participation

| Item | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|---|---|---|---|---|
| Participation (million) | 18.6 | 18.8 | 19.9 | 22.6 | 25.4 |
| Unemployment (percent) | 5.6 | 5.3 | 5.5 | 6.8 | 7.4 |

Food Expenditures' Share of Disposable Personal Income




1992 preliminary.

Food Expenditures as Share of Disposable Personal Income

| Category | 1970 | 1980 | 1989 | 1990 | 1991 | 1992 P |
|---|---|---|---|---|---|---|
| | | | Percent | | | |
| At home | 10.3 | 9.1 | 7.2 | 7.3 | 7.4 | 7.3 |
| Away from home | 3.6 | 4.4 | 4.4 | 4.4 | 4.3 | 4.2 |
| Total | 13.9 | 13.5 | 11.6 | 11.7 | 11.7 | 11.5 |

P - Preliminary

TUESDAY, FEBRUARY 23, 1993.

## GENERAL ACCOUNTING OFFICE OVERVIEW OF THE PROGRAM OF THE FOREIGN AGRICULTURAL SERVICE

### WITNESSES

ALLAN I. MENDELOWITZ, DIRECTOR, FINANCIAL INSTITUTIONS AND INTERNATIONAL TRADE, GENERAL GOVERNMENT DIVISION, GENERAL ACCOUNTING OFFICE

PHIL THOMAS, ASSISTANT DIRECTOR FOR AGRICULTURAL TRADE, GENERAL ACCOUNTING OFFICE

SHEILA RATZENBERGER, ASSISTANT GENERAL COUNSEL, GENERAL ACCOUNTING OFFICE

### OPENING REMARKS

Mr. DURBIN. I want to welcome everybody this morning to the hearing. First we will have a panel from the General Accounting Office, which just completed a study on the effectiveness of the Foreign Agricultural Service and its export operations.

Representing GAO will be Allen Mendelowitz, Director of the Financial Institutions and International Trade, General Government Division; Phil Thomas, Assistant Director for Agricultural Trade; and Ms. Sheila Ratzenberger, Assistant General Council.

Mr. Mendelowitz, welcome to the subcommittee, and please proceed. Of course your entire report will be part of the record, and has been considered by the members. If you would like to summarize it, we would like that very much.

Mr. MENDELOWITZ. Mr. Chairman, I would be more than happy to summarize my statement, and put the full statement in the record. If you would give me some guidance as to how many minutes you would like the summary to take, I will be happy to comply.

Mr. DURBIN. Well, we do one minute speeches on the floor.

What do you have ready, tell me the range here, give me some choices?

Mr. MENDELOWITZ. We are flexible. You can get five minutes, you can get 20 minutes, take your pick.

Mr. DURBIN. We will take the five minute one.

Mr. MENDELOWITZ. Okay.

Mr. DURBIN. We like to ask questions, and that will elicit some particulars from your study.

Mr. MENDELOWITZ. Terrific.

[CLERK'S NOTE.—The prepared statement appears on pages 424 through 462.]

## Statement of the Director

Mr. Mendelowitz. Thank you very much, Mr. Chairman, and members of the Subcommittee. We are happy to be here to discuss our work on the export promotion programs of the Foreign Agricultural Service.

Agriculture trade issues have been a major concern for the past decade. Subsidized agricultural export competition has intensified, and agricultural trade has become a point of friction between the United States and its major trading partners.

At the same time, the number and costs of U.S. agricultural export programs has risen. The current tight budget environment and the substantial resources devoted to agricultural export programs make good management of the programs critical.

G.A.O. is concerned about a number of cross-cutting program and management weaknesses that diminish the efficiency and effectiveness of the U.S. Department of Agriculture's FAS export operations.

F.A.S. manages about $10 billion a year in agricultural export assistance programs. These programs are designed to increase U.S. agricultural exports, and develop and maintain foreign agricultural markets for U.S. products.

Our 1988 and 1992 transition reports on agriculture and international trade issues urge greater management control over USDA's export programs, including preparing better funding criteria, providing written guidelines and recommendations, and developing an evaluation methodology. We also said that other improvements were needed in internal controls.

While some improvements have been made in the management of FAS' export programs, we continue to believe that additional changes and improvements are needed.

We have also expressed concerns about the extent to which considerations beyond expanding exports have affected the FAS' operations. For example, our review of the extension of agricultural export credit guarantees to Iraq and the former Soviet Union highlighted how foreign policy and national security considerations can substantially influence the operation of the programs.

In such circumstances, credit worthiness considerations can be given too little weight. And when this happens, the U.S. government and taxpayers can be exposed to large financial losses.

### LONG-TERM AGRICULTURAL TRADE STRATEGY

GAO also believes that a long-term agricultural trade strategy is essential in order to effectively allocate funds for agricultural export programs. Congress mandated the development of such a long-term strategy in 1990. And while the law called for the completion of the long-term strategy by October 1991, FAS only completed its strategy several weeks ago.

We have only had a chance to take a cursory look at it. But we believe, based on our initial impressions, that substantial additional work will be needed to make it a useful management tool.

Furthermore, problems with the U.S. government's export promotion programs cannot be fully corrected one agency at a time. A government-wide export promotion plan with government-wide

budget priorities is also required. Such a plan is mandated by the Export Enhancement Act of 1992.

In order to provide coherence to U.S. government export promotion efforts and help ensure that export promotion funding is channeled into areas with the greatest promotion returns, an improved LATS must be integrated into the government-wide plan.

I would just like to dwell on a couple of examples from the programs, to sort of give you a feel for the types of issues that we are concerned about.

Agricultural exports receive quite substantial funding relative to exports compared to the rest of the government and compared to the rest of U.S. exports. Agricultural exports represent only about ten percent of U.S. exports. But if you look at government-wide expenditures in support of exports, agriculture gets almost three-quarters of the outlays available for export assistance.

So if you were to translate what is done for agriculture into what is done for the rest of the economy, if you were to support non-agricultural exports at the same level that agricultural exports are supported, you are talking about a government export budget measured in the vicinity of $100 billion rather than the few billion dollars that are currently being spent.

One program, the Market Promotion Program—MPP—which provides subsidies for promoting and developing agricultural markets overseas, has received more funding than the entire United States Foreign and Commercial Service, which is designed to support the exports of all U.S. products outside of the agricultural arena.

In the case of Japan, for example, which is a very important market for U.S. products and a very difficult market to break into, a market where government assistance is directly needed, the Market Promotion Program in 1991 had a budget in the vicinity of about $65 million to help U.S. exports.

The United States Foreign and Commercial Service, which operates a support network in Japan, had a budget of about $4.5 million. So this one program, MPP, with its subsidies for U.S. advertising and market development for agricultural products received, about fifteen times or sixteen times as much money for promoting agricultural exports in Japan, as the U.S. Foreign and Commercial Service got for helping the other 90 percent of U.S. exports going to Japan.

## RAISIN PROMOTION PROGRAM

The California Raisin Advisory Board alone got a budget in 1991 to advertise raisins in Japan that was basically the same size as the Foreign and Commercial Service.

These are the kinds of anomalies that crop up, and these are the kinds of issues that have to be dealt with. And that is why concerns about the management of the programs and the internal controls of the programs are so important.

For example, the expenditure on raisins turned out to be not a very successful undertaking. Why? The funds were used to import the dancing raisin ad with the objective of convincing Japanese children that raisins would be a good snack food. And what they found when they ran the ad—FAS's and the cooperator's evalua-

tion revealed this—this was not money well spent. Why? Because number one, "I heard it on the grapevine" did not translate into anything in Japanese that had any meaning. And secondly, Japanese children that were the target of this advertising campaign were frightened by the dancing raisins.

When you think about the amount of money spent on this one initiative relative to the amount of money that was made available for the entire U.S. Foreign and Commercial Service, you begin to see the kind of questions that are being raised.

And just to add one more bit of information, to give you an example of why attention should be directed to these programs, the California Raisin Advisory Board got this money to develop the Japanese market for U.S. raisins when United States exports already had 80 percent of the Japanese raisin market. At what point does the U.S. government say to U.S. agricultural exporters that they have to take responsibility for developing their own markets?

They are in the market, and they have got substantial sales, and are well-established. If they are successful in the market, they should be able to take over further market development themselves.

Well, in this program, there are no criteria that say when government assistance is appropriate, and at what point the private sector should be weaned off of government assistance, so that it does not come to be viewed as an entitlement. So those funds can be freed up and used to leverage additional U.S. exports into other markets.

I think I would like to end my statement with those brief examples of the types of issues that we have been grappling with, with respect to FAS's export promotion programs. And we would be happy to answer any questions that you or members of your Committee may have.

Mr. Durbin. It comes as a shock to this member of the committee when we consider all of the strides that have been made in world harmony, that the dancing raisins did not make a hit in Japan.

### MARKET PROMOTION PROGRAM

Let me just go to that one particular point. You said there are no criteria, and I would concur with you to a limited extent. Last year's appropriation bill, in the committee report language, spelled out criteria that we were asking the Market Promotion Program to follow in the future.

I have met with the administrator of the program since, and have been assured that they got the message very clearly from Members of Congress, in that we wanted to start focusing on value added products exported overseas, which of course would help our employment picture in the United States.

We also wanted to focus on those firms which otherwise might not be able to compete, which I think goes to your point about the raisin industry already having a share in the Japanese market.

So were you able to evaluate whether there has been any change in the market promotion program standards that are being used now?

Mr. MENDELOWITZ. I think that FAS has begun to undertake some initiatives to meet those new criteria. I think that it is a slow process. But our belief is that you have to prioritize criteria as well, and they still have a long way to go on that.

You still have firms that are receiving large sums of money. The question remains that while the program is oriented towards high value agricultural products, is it oriented to new to export products? Is it assisting organizations that really need assistance, or primarily those that have a lot of financial resources and are already in the export market? We are raising those types of questions. And we do not feel that FAS has fully addressed those yet.

Mr. DURBIN. Well, in fairness to them, the current appropriations cycle began the first of last October. So it has only been several months that they have been under this directive from us. But it was along the same lines that you just outlined here, that they start looking beyond these huge multinational corporations, which obviously can pay their own freight when it comes to promoting products overseas, and really try to focus on breaking into new markets with American products. That, I think, was a major concern of the committee.

FORMER SOVIET UNION

Let me ask you a few questions here. First, you raised the point of the credit worthiness of the former Soviet Union. And of course, that is an important element. But Mr. Skeen and others on the subcommittee have, I think, quite rightly pointed out that there are some other elements involved in this decision. The political element in terms of the future of Russia, but also a question as to what we are going to end up paying in deficiency payments if we do not go through with the grain sales to the Soviet Union.

Did you take that into consideration?

Mr. MENDELOWITZ. I think that what we tried to do was to assess the situation in the context of the legislation. Back in 1990, the Congress passed legislation that modified the criteria under which the GSM-102 and 103 credits would be extended.

And the Congress specifically put into law a prohibition on using GSM-102 and 103 for foreign aid, foreign policy, or debt rescheduling purposes. And we tried to determine in our work whether in fact—for example, extension of credits to the states of the former Soviet Union—whether they met the criteria laid out in that legislation.

But I have to say that we are also very careful to point out that nothing that we do should be viewed as suggesting that somehow the General Accounting Office is opposed to providing assistance to Russia or the other states of the former Soviet Union. That is a major national policy decision that can only be made by the President and the Congress.

What we tried to point out was whether this program was the appropriate program for providing that assistance. If the credit risk is very high, as we believe it is with respect to the states of the former Soviet Union, it means that the use of GSM 102 and 103, which on the surface appears to be a simple loan guarantee program, will actually wind up costing the American taxpayers very

substantial amounts of money. Money not contemplated when the program was established or suggested when the loan guarantees were extended.

And for that reason, what we would like to point out is not that you should or should not assist the Soviet Union, but that the costs of using this particular program are much higher than originally contemplated. And if there is a national decision that we in fact want to provide assistance to the states of the former Soviet Union, and there are concerns about things like deficiency payments, that there should be an alternative program approach that recognizes the costs up front.

Mr. DURBIN. Let me ask you about that. When you say that it will cost us more, and then you mentioned deficiency payments, we understand that if we do not go through with the grain sale, it could be an added expenditure for American taxpayers in excess of one billion dollars.

So it seems that if we follow the strict letter of the law on GSM loans to Russia for the purchase of this grain, we will in fact be costing the taxpayers a lot more, than if we try to extend their credit beyond the current reach of the law and reduce the deficiency payments.

Now do I take it that you did not take that into consideration or did not analyze that aspect?

Mr. MENDELOWITZ. We did not make that a central focus of the analysis. But clearly in terms of deciding what the appropriate alternative policy option is, that is one of the things that obviously should be considered.

MARKET PROMOTION PROGRAM

Mr. DURBIN. I want to return to the market promotion program for a minute. There are two binders here behind us of studies that have been done by GAO on the Foreign Agricultural Service and international programs over the last several years. I take it that this is an ongoing project at GAO to study these overseas endeavors and the like.

At this point, are you prepared to tell us what you would do to fix the Market Promotion Program, how you would change it?

Mr. MENDELOWITZ. We have a number of recommendations that relate to the program. I think that first of all what we would like to see—and I am going to start at the most abstract level and work down—is the successful and serious implementation of the Export Enhancement Act of 1992, which requires the Trade Promotion Coordinating Committee (TPCC) to prepare a government-wide strategy for assisting U.S. exports, and requires government-wide priorities as to how funds could most effectively be spent to assist U.S. exports.

There currently is no process either in authorization or appropriation which tries to take a broad government-wide approach to what the priorities are. And I think that that has to be the first step at the most general and conceptual level.

Secondly, the 1990 Farm Bill required that FAS prepare a long-term agricultural trade strategy. That long-term agricultural trade

strategy should be integrated into the broader government-wide plan required by the Export Enhancement Act of 1992.

It should provide guidance as to the types of products that should have the greatest priority, i.e., bulk versus high value products -HVP-, criteria as to what types of programs should be provided, who should receive assistance and who should not, all of these types of things.

And then third, we have recommendations with respect to the MPP itself, the program should be operating according to clearly laid out prioritizing criteria as to where the taxpayer should expect to get the greatest bang for the buck for the funds that are invested.

There should be graduation in the program. Participants in the program should know how long they can stay in the program, i.e., the maximum periods for which they can receive assistance. The time period under which assistance is phased out. The indicators by which, for example, success is going to be measured against, and when they are supposed to take responsibility for their own market promotion programs.

And I think that there should be more of an emphasis on new to export rather than helping companies that have good experience in exporting. And I think there should be more of an emphasis on helping companies who have export capable products, products that in fact are competitive in world markets, but because they may be smaller companies or lack experience in exporting, they may not be exporting. They need that sort of lift from the government to get them over that threshold and that initial barrier to getting into export markets.

Mr. Durbin. Well, Mr. Mendelowitz, I could not agree with you more on long-term export trade. I think that we should do that. We have tried to set that goal in the law. And perhaps we have not met it and we should. But for everything else that you have described, you have just basically read to me the committee report language from this Subcommittee last year.

Mr. Mendelowitz. Wonderful.

Mr. Durbin. Thank you for the compliment.

I think that we have an idea of where this program should go. And we are of the same mind as to how to reach it.

### AGRICULTURAL TRADE OFFICES

The last point that I want to raise is the question about agricultural trade offices. You have some concerns expressed in your report.

Do you think that it is worth the taxpayers' dollars for us to maintain these agricultural trade offices overseas?

Mr. Mendelowitz. I think that agricultural trade offices are important. And, the history behind them is the reason why they are important. The attache network of the Foreign Agricultural Service has historically been primarily a network that provided reporting on agricultural trends in the countries in which the attaches were posted. They were professionals who had a lot of skill and expertise and training in agricultural economics, but less training and background in marketing.

The focus of the agricultural trade offices is on marketing of U.S. agricultural products. And we believe that having that kind of focus in the Foreign Agricultural Service is important.

Mr. DURBIN. So you are suggesting that the offices just need to have a different philosophy or a different approach, rather than reporting they should, in fact, be marketing?

Mr. MENDELOWITZ. Exactly. We believe that the mission should be, the mission for which they were established, which was marketing U.S. agricultural products. The selection of the skills of the officers who staff them, the training programs, and all of the activities in preparation and associated with them, should be directed toward marketing, which we view as a very important undertaking.

Mr. DURBIN. Thank you.

Mr. Skeen?

BENEFITS OF EXPORT PROMOTION

Mr. SKEEN. Thank you, Mr. Chairman.

Mr. Mendelowitz, after listening to your report, it kind of calls to mind the statement by the individual interviewing Mrs. Custer, "Other than that, how do you feel about Indian relief?"

Did you find anything redeeming in the entire program other than according to your recommendations just reorganizing the whole thing and changing the thrust of where we are going, did you find any beneficial value to the existing program at all?

Mr. MENDELOWITZ. I appreciate your question.

Mr. SKEEN. In fairness.

Mr. MENDELOWITZ. In fairness, if you look back over, for example, the work that we have done over the years, one of the programs that we have been very supportive of is the Export Enhancement Program.

It is a large program, and it is an expensive program. We have been very supportive of it, because we felt that it was an important trade policy tool. We did a study of U.S. efforts to combat subsidies back in the early 1980s in the Egyptian wheat flour market. One year, I think it was 1984, the U.S. government spent about a billion dollars to take the subsidized wheat flour market in Egypt away from France. We did it successfully with large subsidies. And then the next year, we ended the subsidy. And the French went back and took the market back.

Mr. SKEEN. The root problem was the subsidy to begin with.

Mr. MENDELOWITZ. That is right.

Mr. SKEEN. All we did was override the imbalance.

Mr. MENDELOWITZ. Exactly. But what happened was by spending that money to take away a subsidized market, and then not staying in for the long haul, we undercut our credibility.

So we have been very supportive of maintaining the funding and operations of the Export Enhancement Program. We felt based on the analysis that we did that if we did not sustain this program, we would not have credibility at the negotiating table with our subsidizing trading partners, who are trying to reduce their subsidies.

Mr. SKEEN. It goes back to your recommendation that we ought to have a clear purpose in mind for what you do with each particular program.

Mr. MENDELOWITZ. Exactly.

Mr. SKEEN. And if you are going to overcome the subsidy imbalance, then stay with it.

Mr. MENDELOWITZ. Yes.

Mr. SKEEN. Thank you. I appreciate that.

Thank you, Mr. Chairman.

Mr. DURBIN. Ms. DeLauro?

MARKET PROMOTION PROGRAM

Ms. DELAURO. Thank you, Mr. Chairman.

I would like to ask just one question about the MPP program, and then move on to Public Law 480.

Given that we do not have an overall government strategy on export promotion, which is what you suggest in your testimony, should we stop the MPP program as we know it now and look at revamping it and starting from scratch with the kind of recommendations that you have made?

Mr. MENDELOWITZ. I think that if you look at the individual initiatives under MPP, there have been some successes, and there have been some failures. In my opening statement, I highlighted some failures as an example of problems with the program.

I can also highlight examples of successes. For example, one of the major trade policy initiatives was breaking down barriers to imports of U.S. beef in the Japanese market.

Ms. DELAURO. Beef in Japan, right. It is in the testimony.

Mr. MENDELOWITZ. And the efforts funded by MPP to help promote awareness in the Japanese market and open up the Japanese market from a marketing perspective in parallel with the trade policy initiative, we thought was very helpful and important.

So given the fact that the program has successes as well as failures, and also given the fact that high value products are in fact a very important initiative, we would say do not "throw the baby out with the bath water".

But our experience has been, and I think that this sort of captures our assessment over the long term of the MPP, there were probably fewer worthwhile initiatives on which we could spend money than, in fact, money was available.

So if you want to increase the success rate of the program, I would say cut it back, and tighten the funding so that more effort and more attention is given to making sure that we get a good return for each dollar. And I think that would probably be a good way to start. It is a great incentive for good programming.

Ms. DELAURO. Right. I do not want to "throw the baby out with the bath water", but I do not want to continue what sounds like the minimal successes in view of the more frivolous endeavors that we engage in.

P.L. 480 PROGRAM

Just a few questions on the Public Law 480 program. I am new to the committee. So I apologize for material that you may have gone over before.

What are concessional sales, and how do they work?

Mr. MENDELOWITZ. Basically, "concessional sales" is just our local jargon for any kind of program in which you have basically some kind of subsidy provided. In the case of Public Law 480, Title I, we sell commodities—not GAO, but the U.S. government—sells commodities to developing countries on credit terms that generally involve low interest rates and extremely long-term repayment periods, like thirty years.

Because of the long term of the loans, because of the below market interest rates, compared to what these countries would have to borrow at in the private sector, saying nothing about the fact that none of them could borrow for thirty years to buy food, there is in fact an implicit credit subsidy provided. That is what we mean when we say concessional sales.

There are also provisions which permit the foreign purchaser to repay these loans under certain circumstances with local currency. Local currency is typically a soft currency. It is not convertible into dollars or into other freely tradeable currencies. And that also in effect is a major subsidy element.

Ms. DELAURO. In your testimony, you talk about the Title I program, that Title I alone does not exert sufficient leverage upon recipient countries to ensure that they have undertaken specific kinds of development oriented reforms.

What in your view can be done either to increase the leverage of Title I programs or to combine Title I with other kinds of programs to achieve that needed leverage that you say is absent now?

Mr. MENDELOWITZ. When we say that it does not have sufficient leverage to induce a country to do something that it would not do otherwise, what we are saying in effect is that the amount of money or the amount of outright benefit that the country is getting is so small, you cannot do much.

Furthermore, even if we take the program and allow the country to repay the debt in its local currency, and then give the money back to local government to use the money for a development project, it does not provide much influence. Giving a country its own currency back, when it has the power of the printing press, is not really giving them anything of value.

If we give them $50 million in local currency, and they can get $50 million in local currency by pushing the button on the printing press, they do not get much.

Ms. DELAURO. Talk about the change as a follow-up to that, how do you make it?

Mr. MENDELOWITZ. I think that there are two ways. One is I think that if we want leverage with countries to induce more effective economic reform programs and development programs, I think that we really have to look to the whole aid package that is being provided, both bilaterally and multilaterally. That is one.

Secondly, a way in which you in fact can get small improvements is if you take the local currency option and then provide it to pri-

vate development groups who are undertaking projects that we think may be particularly helpful. That is one way of getting some things going in countries that might not take place otherwise.

Ms. DeLauro. To what degree would you say that this program as it is currently constructed is achieving the goals?

Mr. Mendelowitz. I think that there is one goal that it clearly achieves. When we provide a country with food that it would not have the resources to get otherwise or would have a difficult time coming up with the resources to buy on the world markets, we are definitely enhancing the food security of that country. We are helping to feed its population.

But once you move away from the straightforward issue of providing food without requiring the country to come up with hard currency to pay for it, the other benefits dissipate fairly quickly.

Ms. DeLauro. Just one quick point on your last answer. To try to provide the soft currency to private development efforts.

Have you thought about that at all in terms of how it might work?

Mr. Mendelowitz. That is an option that is available.

Ms. DeLauro. That is an option available now?

Mr. Mendelowitz. We think that it has some incremental value.

Ms. DeLauro. Thank you very much, Mr. Chairman.

Mr. Durbin. Congressman Peterson?

MARKET PROMOTION PROGRAM

Mr. Peterson. Thank you, Mr. Chairman.

And I apologize for not hearing your earlier testimony. Just a couple of questions on the MPP.

Has this been a start and stop approach. We get on a product and we do the promotion, and then we stop it, or once we are on that we stay on?

Mr. Mendelowitz. I do not want to sound cute, but the answer is yes and no. Market development projects are not something that take place over one year. And up to this past year the program which is funded on a one year basis, required that only one year strategies be submitted to FAS.

The regulations of the program were recently changed and we think that the change is an improvement. The beneficiaries now receiving support under the program are asked to provide three year plans to demonstrate how over a three year period their market development activities are going to work. Obviously, because the appropriation process is annual, FAS cannot commit funding for more than one year at a time. Nevertheless, we think that is an improvement, because it gives a somewhat longer run perspective to program activities.

Second, there has been a movement in and out of the program. There have been some beneficiaries who have come in, and there have been some beneficiaries who have left. It is unclear whether the ones who are leaving left because they were failures or successes. It is hard to assess these things.

Third, there have been some major beneficiaries who have been in the program year in and year out. We are not sure that, in fact, it makes good sense. For example, the Wine Institute, which pro-

vides support for California wine exports, has been a major beneficiary under the program year in and year out.

I think that for 1992 and 1993 their allocation is something close to $12 million, and in past years they have gotten $15 million. Large amounts of this money have gone to very large private firms. For example, I do not know what the allocation is this year, but if you go back a year or two, Gallo Wine was getting one-third of the allocation that the Wine Institute was getting. It was getting $4 or $5 million a year.

Gallo is the largest wine company in the world. It does not make sense for the U.S. taxpayer to be providing support to a company that is so large that it is the dominant player in the world. It should have the expertise and the resources to develop markets, unless there are very real barriers in place imposed by foreign governments, and we are trying to make a trade policy point by helping them get over those humps imposed by unfair foreign practices.

ADDITIONALITY

Mr. PETERSON. Then two questions.

Those companies which engage in the program, they participate monetarily as well.

Is there a percentage line on that that they have to participate; and in your analysis, did you weigh the product success or whatever you want to call that against the barrier question?

This program was established to offset the barriers.

Mr. MENDELOWITZ. Let me try to answer the first part of your question first. There is supposed to be cost sharing between the participants. They are supposed to put up matching funds, especially in the branded part of the program.

But the way that the program is structured, there is no assurance of additionality in the way the program operates. And I will give you an example of what I mean.

We have had at different points in the past decades, tax incentives for investment and R&D. We have had an investment tax credit in certain years. We have had R&D tax credit in certain years.

In order to qualify for an investment tax credit or an R&D tax credit, you had to first spend a certain amount relative to what you had spent in the three preceding years. For example, if you were to qualify in 1993 for an investment tax credit, your investment expenditure on eligible investments had to be a certain percentage more than the average of the preceding three years.

There is no additionality requirement in this program. And as a result, we have no way of knowing, given the way that the program is structured, whether the money that we are giving to these companies is merely replacing the corporate funds that they were going to spend anyway, as opposed to really supporting additional new activities.

And we think that if the taxpayer is putting money in, that the taxpayer should get something for it. And the effort should be clearly and demonstrably additional to what the corporations would have done otherwise.

TRADE BARRIERS

Mr. PETERSON. The second part of that question, the measurement of barriers in the process.

Mr. MENDELOWITZ. In the funding criteria of the program, FAS has specified, in concert with the legislative mandate, that the existence of foreign barriers is in fact one of the important criteria. So, that clearly enters into the decision-making process. But we have not seen that they have done the specific analysis where they have documented that funds are going to a particular recipient because of a specific defined barrier they are trying to overcome.

Mr. PETERSON. Well, then what are the other criteria? Is it our excess production?

Mr. MENDELOWITZ. Well——

EFFECT OF GATT ON MPP

Mr. PETERSON. And then to add to that, throw in the potential GATT agreement and what does that do to this program?

Mr. MENDELOWITZ. What differentiates MPP from most of the other programs that FAS operates is that MPP is the only program that primarily benefits high-value products, i.e. retail-ready, semi-processed, and other high-value products, such as fruits, nuts, things like that.

And if you look at the trends in world agricultural trade over the past several decades, high-value product exports have been growing more rapidly than bulk products, which are the beneficiary of most of the programs that FAS operates. The share of high-value products in world agricultural trade is increasing and it is growing more rapidly than bulk products.

I would say the rationale and the justification of the program is that this is an important and growing sector of the market. If it is a growing and important sector of the market, and it is deemed by the Congress, that for us to succeed in this market, some type of government assistance is needed, then that is a rationale for a program targeted at the audience that MPP benefits.

But as I said, over the years we have been critical of the fact that, because of this lack of additionality, because of the inability to demonstrate clear links between the funds expended and market achievements, we need better leadership, better management, better approaches to the program.

I remember several years ago testifying before the House Agriculture Committee on this program, and, to be honest, we were making the same type of criticism. Now, there have been incremental improvements in the operation of the program along the way. I do not want to imply that in fact there has been no improvement. But I sort of remember, I think it was back in about—it was probably, was it 1988?

Mr. THOMAS. Yes.

Mr. MENDELOWITZ. It was 1988, and the Administrator of FAS was saying, look, we spent money on this program and look at the tremendous increase in exports we had, and we spent money here and look at the tremendous increase in exports. The Chairman really knew the markets, and he looked at the Administrator and he said, "Wait a minute. You are showing this tremendous increase

in cherry exports, but this program gave only $5,000 to cherry exports. And then this other product for which we are getting almost no increase in exports we spent millions. I mean, how can you give me these charts and claim that this program is a big success?"

These are the kinds of things we have been grappling with.

Mr. PETERSON. Okay. Then one last question.

This would appear to me to be a primer of the pump type program rather than a consistent program. Is that correct?

Mr. MENDELOWITZ. And I think that is an excellent way of describing it.

Mr. PETERSON. But if that is the case did you find anything in your study that would suggest what the residuals would be from maybe a segment of the program where we went in and did a front-end priming of the pump and then got out of it? What did that do to the product export?

Mr. MENDELOWITZ. Well, that kind of analysis was not really done. What you described is how I think we would describe the optimal way the program would operate. Instead of funding raisin promotions, when they already had 80 percent of the market, we would try to fund something on behalf of a competitive product that is not in the market yet, so it can get a toe hold. Once it gets a toe hold in the market they should be getting revenues that would in fact support further market development.

Mr. PETERSON. Okay.

Thank you, Mr. Chairman. I appreciate the time.

Mr. DURBIN. Mr. Myers?

### REQUESTS FOR GAO STUDIES

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Mendelowitz, what brings the General Accounting Office into these studies in the first place?

Mr. MENDELOWITZ. Well, I think all of them, if I remember correctly, were the result of requests from various committees in the House and the Senate. Most of them, I think, were the result of requests from either the Senate Agriculture Committee or the House Agriculture Committee or Government Operations Committee.

Mr. MYERS. Each year they make a request?

I have watched these studies through the years, and I do not see where they have accomplished a whole lot, to be quite honest with you.

Who reads them aside from those of us that have to?

Mr. MENDELOWITZ. I think that we have done a fair number of studies on the operations of these programs. The primary reason why were asked to look at these programs on behalf of the Congress is that they do involve very substantial expenditure of resources.

As I have stated in other fora, the U.S. Government, for example, in 1990, when we compiled all the statistics, spent about $2.7 billion in outlays on export assistance. Agriculture exports represent about 10 percent of U.S. exports, but was getting almost 75 percent of the outlay dollar for export assistance.

When you look at the export credit programs, you find the same thing. Credit assistance to agricultural exports is about half of the credit assistance made available to all U.S. exports.

And so the reasons why, I think, the Congress has asked us to look at these programs is that a very substantial commitment of taxpayer dollars has been put on the table.

Secondly, over the years as we have done our work we found in the management of these programs very substantial weaknesses. We found a philosophy for a number of years at FAS that said even though we are spending all this money, even though we are exposing the federal treasury to substantial contingent liability on the credit programs, we are just facilitators. These are private efforts and we are just helping them along. And there was a resistance and a reluctance to try to put in place the management controls and internal controls that assured that the programs were working the way they were supposed to be working even though tremendous amounts of monies were being spent.

I think one of the reasons why we have asked to do so many programs is that year after year there has not been the kind of rapid improvement in the management of the programs there should have been.

If you contrast this, for example, with work we did in export promotion at the Department of Agriculture—I am sorry—the Department of Commerce, we had as critical things to say about the Department of Commerce's export programs as we had to say about the Department of Agriculture.

The difference is that after several years of pointing out real problems, the Commerce folks turned around and said, you know something, you are right, we are going to fix them. And they called us in and they said, let us work together to try to fix these programs, which they did. They made a tremendous amount of progress in fixing their programs.

So the two reasons why we have been asked to do all this work is that there are very large amounts of money involved, and over the years there has been some foot dragging at the Department of Agriculture in implementing the kind of management controls and internal controls necessary to make sure that the federal monies are being spent in a way that you get outcomes consistent with why the monies were being spent, and that opportunities for fraud, waste and abuse are minimized.

Mr. MYERS. Physically, where are these investigations made?

Mr. MENDELOWITZ. They are made where the programs are carried out, and that means some of them are made in Washington at headquarters of the Foreign Agriculture Service. Some are made at the sites of U.S. organizations that are beneficiaries from the programs. And as in the case——

Mr. MYERS. Run that by me again.

P.L. 480 STUDY

Mr. MENDELOWITZ. You know, at the sites of beneficiary organizations that have received funding. And in the case of the legislatively-mandated study of P.L. 480, they took place in a number of overseas posts where the programs are being effected. For example,

in the legislation that mandated that we look at P.L. 480, we were specifically instructed to go to a minimum of five countries in three different regions.

INSTRUCTIONS TO INVESTIGATORS

Mr. MYERS. What kind of instructions, just briefly, do you give these investigators when you send them out to make an investigation of these various programs?

Mr. MENDELOWITZ. Well, we have within the General Accounting Office a professional staff which is trained in undertaking program effectiveness audits, and program efficiency audits. We have a publicly available document which we call "The Yellow Book," which lays out the government standards for conducting audits, that refer to the independence, the objectivity, and the assurance of quality of the work that we are doing.

I would be more than happy to provide you with a copy of those yellow book standards that lay out the fundamental guidelines for the type of audits that we do.

Mr. MYERS. What I am getting at, I have been reading your reports through the years. I am not at all sure who you are working for.

PROGRAMS TO HELP THE FARM PRODUCER

I certainly agree you are working for the American taxpayers and somebody ought to be concerned about them. But, however, some of the programs are designed to help farm producers also, and I see little in even your report and I have also been waiting to hear the words today, and I have not heard them yet, about that "farm producer" out there that these programs are designed to help. I have seen very little from your reports that you have made or your testimony this morning indicating any concern about what they are contending. Gallo wine was an example. I am not making a case for Gallo wine. I do not think it is that good of a wine in the first place, but it may be the top seller in the country. [Laughter.]

But we have got some good wine in Indiana, I might add, in my district. [Laughter.]

Mr. MYERS. But Gallo is an example. Gallo does not need any help, I am quite sure. But are they where there is a market? Maybe they are satisfied to stay right in the United States doing their bit here, making as much money as they want to in the United States. But if they can develop overseas markets with assistance from the MPP, why should you be concerned whether it is Gallo or the smallest winery some place? That concerned me when you said, "Well, Gallo does not need help." Quite true. But the design was not to help Gallo, it was to help the wine industry, and Gallo happened to be the one there that is moved into taking.

This is what concerned me about the reports. It seemed like you are—I am not at all sure that the reports you have made have been in the interest of the farm producer who is struggling out there now. Gallo is not going to struggle, or listen to the big industries, the big exporting industries are going to make it all right.

Mr. MENDELOWITZ. Sure.

Mr. MYERS. We are trying to help that farmer, and the only utility we have today, the only entity we have is these big concerns. As long as you are going to say they cannot participate, we are not going to help the farmer out there.

Mr. MENDELOWITZ. Mr. Meyers, I think that you have hit on really a very important point. We are not out to punish the small farmer. We are not out to ignore the concerns and the interests and the needs of the small farmer. What we try to do is we try to assess the effectiveness of programs in meeting objectives that you the Congress have created for them.

In the case of MPP and a number of the other programs that we have looked at, the FAS has not demonstrated convincingly that in fact the programs are achieving the objectives. So that in fact when we talk about Gallo getting the wine versus—I am sorry—Gallo getting the support versus somebody else, we are trying to get at the fundamental issue of whether the program is doing what you directed the Executive Branch to do when you funded the program and when you set up the program. And I would say that has been, one of our major concerns; that the effectiveness of the programs have not been demonstrated.

I talked earlier, in response to a question from—was it Mr. Peterson—about the additionality issue? Unless, for example, they have operational regulations in place to ensure that if $5 million goes to Gallo Wine, that, number one, somebody in fact did make the judgment that the American farmer and the American exporters were really going to benefit from Gallo getting it versus somebody else.

And, secondly, and this is really important, there is nothing in the program to ensure that if Gallo gets $5 million, that will in fact represent an additional $5 million or more in export promotion expenditures over what would have been spent without the program.

So that if you cannot demonstrate those fundamental things, you cannot demonstrate that there is anything about the operation of the program that in fact is going to help the farmer who you express your real concern for.

Mr. MYERS. But if the concern is that Gallo is a big company and that is why you are all criticizing the program, that is not a very good reason, in my judgement.

Mr. MENDELOWITZ. Yes, but if you look at, for example, what we are saying is that FAS does not have the rationale for deciding how much money to give to a big versus a small beneficiary. If they had come in and said, if we give money to this big company because it links to the following benefits in the following ways, and show all the linkages, what the payoff was, what the return was, they would have a good justification for how the money was spent. They do not have it.

Basically, now what happens is the money goes out to these cooperator organizations or various associations who in turn reallocate the money. And, you know, there is that famous statement from an official of Paul Newman's Own, who was a beneficiary under the MPP. The question was, how did Paul Newman's Own become a beneficiary under MPP. And the spokesperson or the official said, gee, we got a call from some association that said, quick, send us a

letter and tell us you want some money; we will send you some money. I mean, that is not the way to effectively run a program.

Mr. MYERS. Well, if that is the way it is done, of course, I quite agree with you. But to be critical just because they are big or because they do not need the money, it is what they are doing out there, and if they are capable of doing it, and somebody else is not interested in doing it, more power to them as far as I am concerned. That is what I was concerned about your reason why Gallo should not be receiving MPP support.

Mr. MENDELOWITZ. No, it is——

Mr. MYERS.

Mr. MENDELOWITZ. Sure, the issue of big really is just a shorthand for all this.

Mr. MYERS. Well, I have heard that so much today, and I am hearing it more from this administration about the class system. I did not think we had a class system in this country, but I am more concerned everyday about the thinking that goes into this.

One last question. Mr. Smith and I just returned from a trip to Europe and visited some of the satellite countries, and as true we only saw one—in the six embassies we went in to, only one nation had an agriculture attache, and they are about to lose him.

You mentioned in your statement here briefly about the comparison of the agricultural export offices as well as attaches. You did not cover that very well.

Why do we need both in the country? Have you shown any interest in encouraging agricultural attaches in embassies around the world?

Mr. MENDELOWITZ. Well, my understanding of what is being called for over the next three—four years is a substantial reduction in the operating budget of FAS. Do more with less, but maintain the programs where they were; you know, program levels constant.

Mr. MYERS. You think momentum will carry them through?

Mr. MENDELOWITZ. Yes. And I will be honest, our assessment of these programs is I would rather see a little more in the way of resources and effort expended on managing the programs, operating the programs, you know, having the attaches, the ATOs in places that are needed to provide the assistance, and a little less money spent on the programs where we have not seen all that much effective use of the funds, as in the case of MPP.

So my answer to your question is that I think it would be a mistake to keep high levels of funding for the programs without having the infrastructure in place to adequately manage how it gets used.

NEED TO BE COMPETITIVE

Mr. MYERS. Well, ideally, of course, if industry would take care of this, we would not have to have government involved. But, unfortunately, throughout the world today we see an American industry, including agriculture, is not out there hustling like the Japanese are doing and some other countries of the world, and we are doing a very poor job. If our industry is not concerned, well, there has to be some stimulus someplace—stimuli? Which is it? Stimuli, I guess. I missed Latin that day.

But, in any event, we need to do something. The reports that I have seen seem to be more critical about procedures rather than about accomplishment. I think the mission is to get American exports out there more prevalently than they are today.

Mr. MENDELOWITZ. Yes, I agree with you 100 percent on the importance of the export sector of the U.S. economy. If you look at what has happened to the U.S. economy over all over the past two decades, there has been a radical transformation of the U.S. economy. The U.S. economy has become thoroughly internationalized: goods markets, capital markets.

I remember when I first studied international trade, if you asked a businessman whether he was selling in Paris, he would say, "Paris? I don't sell in Peoria." And that was okay because you did not really have to worry about Paris and you did not have to worry about the guy in Paris. All you had to do was worry about how good your competition was around the corner.

Today you cannot say that, because whether you choose to sell in Paris or not, if you are not capable of selling in Paris, you are not going to succeed in Peoria, because your competition is going to come to Peoria and eat your lunch in your own back yard.

This fundamental message of the importance of exporting and being competitive by world class standards has been a message that we have dwelt on at great length in a number of our projects, and we have emphasized it very much.

In the case of the specific projects, you know, studies that we have done that you have cited, we are not losing sight of the importance of the fundamental objective of the programs. Our criticism at the most fundamental level of the programs is that these programs are not doing what you want them to do, because of inadequate management, because of the management direction, because of inadequate criteria, operations, et cetera. They were not giving that big umph, that big push to American exports that they should be doing.

MARSHALL PLAN

Mr. MYERS. When the Marshall Plan was developed, I did not think much of it at the time. I was not in Congress. I was still in college, as I recall. But it did develop into a great program and look at the markets we have developed. I think if we can give some of these industries, whether they be big or small, a little boot and show them how to do it, maybe then a couple of years from now we will not need to have these programs.

Mr. MENDELOWITZ. Yes.

Mr. MYERS. In closing, would you provide how much these studies have cost, how much has been spent? Submit it for the record, if you would, please.

Mr. MENDELOWITZ. Yes, I can try to come up with the staff days that we spent on the project.

Mr. MYERS. Thank you.

[The information follows:]

Attached for the record (see appendix) are the total costs of the GAO reports and testimonies on agricultural trade-related issues. The GAO staff day costs applied to the individual reports and testimonies represent GAO's total operating costs (direct and administrative) required to complete each assignment. These costs were comput-

ed by multiplying the number of staff days used on each assignment by the average direct and administrative costs (such as the proportionate share of travel, training, leave, and other indirect costs) of the appropriate GAO divisions.

These written products in a number of cases, were requesteed by more than one Member of Congress. The overwhelming majority of these products were requested by either a Committee or Subcommittee Chairman. In many cases these reports involved GAO work outside the Foreign Agricultural Service and the U.S. Department of Agriculture. Extensive work was conducted at numerous executive branch agencies including the Departments of Commerce, State, the Treasury, Justice, Defense, and Health and Human Services; the Agency for International Development; the Office of Management and Budget; and the National Security Council; as well as numerous private sector organizations, international agencies, and foreign governments. These costs encompass briefings and other assistance provided to the requesters during the course of the assignment.

AGRICULTURAL TRADE REPORTS

| | Total GAO Cost |
|---|---|
| TRANSITION SERIES: International Trade (GAO/OCG-93-11TR, Dec. 1992). | $ 12,280 |
| INTERNATIONAL TRADE: Advertising and Promoting U.S. Cigarettes in Selected Asian Countries (GAO/GGD-93-38, Dec. 31, 1992). | 519,044 |
| LOAN GUARANTEES: Export Credit Guarantee Programs' Costs are High (GAO/GGD-93-45, Dec. 22, 1992). | 137,536 |
| INTERNATIONAL TRADE: Restrictions on U.S. Racehorses in Foreign Country Races (GAO/GGD-93-15, Oct. 30, 1992) | 56,488 |
| Progress in GATT Negotiations, (GAO/GGD-92-6R, July 31, 1992). | 92,000 |
| INTERNATIONAL TRADE: Canada and Australia Rely Heavily on Wheat Boards to Market Grain (GAO/NSIAD-92-129, June 10, 1992). | 263,304 |
| U.S. DEPARTMENT OF AGRICULTURE: Better Trade Show Management Can Increase Benefits to Exporters (GAO/NSIAD-92-122, Mar. 10, 1992). | 399,648 |
| Agricultural Chemicals to Iraq (GAO/NSIAD-92-79R, Mar. 3, 1992). | 41,400 |
| INTERNATIONAL TRADE: Agricultural Trade Offices' Role in Promoting U.S. Exports Is Unclear (GAO/NSIAD-92-65, Jan. 16, 1992). | 541,512 |
| EXPORT PROMOTION: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992). | 67,896 |
| DRUG POLICY AND AGRICULTURE: U.S. Trade Impacts of Alternative Crops to Andean Coca (GAO/NSIAD-92-12, Oct. 28, 1991). | 316,598 |
| INTERNATIONAL TRADE: Factors Affecting the Price of Alaskan Bristol Bay Sockeye Salmon (GAO/NSIAD-91-322, Sept. 13, 1991). | 103,224 |
| INTERNATIONAL TRADE: Soviet Agricultural Reform and the U.S. Government Response (GAO/NSIAD-91-152, June 28, 1991). | 240,757 |
| AGRICULTURAL TRADE: Cooperator Conflict of Interest Regulation Needs Strengthening (GAO/NSIAD-91-217, May 22, 1991). | 132,849 |
| LOAN GUARANTEES: Export Credit Guarantee Programs' Long-Run Costs are High (GAO/NSIAD-91-180, Apr. 19, 1991). | 144,047 |
| U.S. MEXICO TRADE: Impact of Liberalization in the Agricultural Sector (GAO/NSIAD-91-155, Mar. 29, 1991) | 178,150 |

67-445 O—93——14

| | Total GAO Cost |
|---|---|
| U.S.-MEXICO TRADE: Extent to Which Mexican Horticultural Exports Complement U.S. Production (GAO/NSIAD-91-94BR, Feb. 20, 1991). | $209,199 |
| AGRICULTURAL TRADE NEGOTIATIONS: Stalemate in the Uruguay Round (GAO/NSIAD-91-129, Feb. 1, 1991). | 70,751 |
| U.S. DEPARTMENT OF AGRICULTURE: Strategic Marketing Needed to Lead Agribusiness in International Trade (GAO/RCED-91-22, Jan. 22, 1991). | 168,777 |
| U.S. FOOD EXPORTS: Five Countries'Standards and Procedures for Testing Pesticides Residues (GAO/NSIAD-91-90, Dec. 20, 1990). | 358,336 |
| INTERNATIONAL TRADE: Iraq's Participation in U.S. Agricultural Export Programs (GAO/NSIAD-91-76, Nov. 14, 1990). | 87,548 |
| AGRICULTURAL TRADE: Improvements Needed in Management of Targeted Export Assistance Program (GAO/NSIAD-90-225, June 27, 1990). | 249,919 |
| CARGO PREFERENCE REQUIREMENTS: Their Impact on U.S. Food Aid Programs and the Merchant Marine (GAO/NSIAD-90-174, June 19, 1990). | 118,597 |
| INTERNATIONAL TRADE: Export Enhancement Program's Recent Changes and Future Role (GAO/NSIAD-90-204, June 14, 1990). | 483,550 |
| TRADE AND HEALTH ISSUES: Dichotomy Between U.S. Export Policy and Antismoking Initiatives (NSIAD-90-190, May 15, 1990). | 488,131 |
| INTERNATIONAL TRADE: Competition for Japan's High Value Agricultural Market (GAO/NSIAD-90-134, Mar. 30, 1990). | 22,905 |
| 1990 FARM BILL: Opportunities for Change (GAO/RCED-90-142, April 10, 1990) | 82,593 |
| INTERNATIONAL TRADE: Activity Under the Export Enhancement Program (GAO/NSIAD-90-59FS, Feb. 12, 1990). | 168,795 |
| INTERNATIONAL TRADE: Export Enhancement Program Bonus Overpayments (GAO/NSIAD-90-83, Feb. 7, 1990). | 99,000 |
| INTERNATIONAL TRADE: Foreign Market Development for High Value Agricultural Trade (GAO/NSIAD-90-47, Jan. 17, 1990). | 295,020 |
| U.S.-MEXICO TRADE: Trends and Impediments (GAO/NSIAD-90-85R, Jan. 12, 1990). | 211,860 |

## AGRICULTURAL TRADE TESTIMONY

| | Total GAO Cost |
|---|---|
| EXPORT PROMOTION: Federal Approach is Fragmented (GAO/T-GGD-92-68, Aug. 10, 1992) | $7,368 |
| U.S. DEPARTMENT OF AGRICULTURE: High-Value Products and U.S. Export Promotion Efforts (GAO/T-GGD-92-64, July 28, 1992) | 3,070 |
| AGRICULTURE'S EXPORT CREDIT PROGRAMS: Delays in Accessing Records Relating to Iraq (GAO/T-GGD-92-47, May 29, 1992) | 9,210 |
| U.S. DEPARTMENT OF AGRICULTURE: Improved Management Could Increase the Effectiveness of Export Promotion Activities (GAO/T-GGD-92-30, Apr. 7, 1992) | 25,788 |
| U.S. DEPARTMENT OF AGRICULTURE: Management Issues Remain Unresolved in the Market Promotion Program (GAO/T-GGD-92-25, Mar. 25, 1992) | 24,560 |
| U.S. Efforts to Increase Export of High Value Agricultural Products (GAO/T-NSIAD-91-43, June 25, 1991) | 2,208 |
| The Soviet Union's Participation in the Agriculture Department's Export Credit Guarantee Programs (GAO/T-NSIAD-91-38, May 21, 1991) | 1,104 |
| Iraq's Participation in the Commodity Credit Corporation's GSM-102-103 Export Credit Guarantee Programs (GAO/T-NSIAD-91-13, Mar. 14, 1991) | 8,280 |
| Report on Commodity Credit Corporation's GSM-102-103 Export Credit Guarantee Programs and Iraq's Participation in the Programs (GAO/T-NSIAD-91-01, Oct. 16, 1990) | 6,108 |
| Restrictions on U.S. Aid to Bolivia for Crop Development Competing With U.S. Agricultural Exports and their Relationship to U.S. Anti-Drug Efforts and Purchasing Parts (GAO/T-NSIAD-90-52, June 27, 1990) | 11,198 |
| Dichotomy Between U.S. Tobacco Export Policy and Antismoking Initiatives (GAO/T-NSAID-90-42, May 17, 1990) | 5,090 |
| Status Report on GAO's Reviews on P.L. 480 Food Aid Programs (GAO/T-NSIAD-90-23, Mar. 21, 1990) | 622,710 |
| Status Report on GAO's Reviews of the Targeted Export Assistance Program, the Export Enhancement Program, and the GSM-102/103 Export Credit Guarantee Programs (GAO/T-NSIAD-90-12, Nov. 16, 1989) | 7,425 |
| Status Report on GAO's Review of the Export Enhancement Program (GAO/T-NSIAD-89-45, July 31, 1989) | 5,940 |
| Commodity Credit Corporation's Export Credit Guarantee Programs (GAO/T-NSIAD-89-9, Mar. 1, 1989) | 9,900 |
| Commodity Credit Corporation's Export Credit Guarantee Programs (GAO/T-NSIAD-89-2, Oct. 6, 1988) | 7,425 |

Mr. DURBIN. Thank you, Mr. Myers.
Mr. Pastor?

FAS MANAGEMENT

Mr. PASTOR. I heard the year 1988. I am assuming that is when you probably released one of your first reports dealing with the FAS.

Mr. MENDELOWITZ. Well, it was one of the first reports on the Targeted Export Assistance Program, which was the predecessor to the MPP, the Market Promotion Program.

Mr. PASTOR. So it has been a few years, and I have heard you conclude several times that the management of the program, the reluctance to take some of the recommendations, et cetera, et cetera, have caused this program to be ineffective. As I understand it, that is your conclusion.

And as I read further into the report you say you want to do an additional study on the organization, how it is set up, the management, et cetera. But I think you have already concluded, and I am convinced by your conclusion, that since 1988 these problems have been brought forth, although very little has been done to correct them. And aggravating this situation it appears the Japanese and their FAS are probably more effective and, as some people have commented, this has caused us to lose out on some market opportunities. They are more aggressive, more bullish and are able to expand the sale of their goods in our country where we have failed to expand our sales in their country.

And for me to be here at this hearing, the first time on this committee, it is very disappointing to realize that an organization that is supposed to help the American farmer is not wanting to take advice from an outside group to see how it could do better. And as a result, the industry they are supposed to help is diminishing overseas.

It is evident, from their trade shows, they are not connected with other federal agencies and are not effective. How they deal with the GSM-102 program and continue to subsidize a country that is a high risk with two banks, and yet no one seemed to care. As a result after subsidizing them, we went to war with them.

Hopefully, Secretary Espy will look at this very closely since it is very important to me that the American farmer is better protected.

I do not question your process. I figure that you have been fair. You try to be fair. And your job here is to point out to me where the problems are.

HIGH VALUE PRODUCTS

I have two questions. One is where you say that it is important that we promote HV products because they lessen price swings and are easy to market. But you also make a comment here that, in doing it, it is to the benefit of the manufacturer, and it is the farmer who is losing out.

Would you make a comment on that?

Mr. MENDELOWITZ. Well, I would not say that the farmer is losing out. But because retail-ready products have a lot more processing and manufacturing cost embodied in them than bulk prod-

ucts, more of the funds go to basically non-farm activities than is the case under bulk products.

I want to be a little careful. I would be overstepping my bounds if I said, you know, we should be doing this. I am giving, based on our analysis, the rationales for why it would be appropriate for the government to be—you know, the types of rationales that would be used to provide an appropriate basis for these types of programs.

But the answer is all these programs have trade offs, and on the plus side, with respect to HVP, as I said in my statement, they are more price in elastic.

Mr. PASTOR. Sure.

Mr. MENDELOWITZ. You can get better margins because there is product differentiation. It is easier to hold on to a market. Once someone gets used to buying something with your name on a high-value product, your name becomes real valuable, because if you are good they are going to come back looking for you.

And so certainly the farm community benefits from this kind of sustained identification with a product that has agricultural raw material in it.

On the other side, when FAS and the Congress are deciding how much to devote to bulk versus high-value products, one of the things that has to be considered is what is the primary objective. Is it to help the farmer on the land, i.e. the short-term benefit, or is it the long-term benefit of HVP programs.

### LONG-TERM TRADE STRATEGY

Mr. PASTOR. But as I read your report and hear testimony, one of the problems that we have is that we do not have a long-term strategy.

Mr. MENDELOWITZ. Yes.

Mr. PASTOR. And so there is—and as I understand this program, it is to develop new markets for products that American farmers want to sell.

What kind of plans do they have, if any?

Mr. MENDELOWITZ. Well, the 1990 Farm Bill required that USDA provide an integrated long-term agricultural trade strategy by October of 1991. The first cut at that plan was delivered to the Congress a couple of weeks ago, at the end of January.

We took a quick look at it. We have not had a chance to look at in depth. But we do not feel that that plan represents a strategy that would be a good management tool to help in deciding what programs to promote, what programs to reduce, the rationale for why those decisions are made. We basically view the plan as pretty much of a status quo plan, saying these are all the resources we have, these are all the programs, and these are objectives, and this is how we are going to use the programs to meet our objectives. I think that a more useful long-run strategy would go to the nub of the hard issues like the one you just raised, as to how much we devote to bulk versus HVP, the impact on other agricultural support programs, cost to the Treasury, value to the farmer over the long run, how we could be more innovative in tying in our production to the world agricultural markets. These are the gusty, raw, really helpful analytical elements that are not in the plan.

Mr. PASTOR. Was it last week that I heard that we have a component that does stats research, and then the responsibility falls on another department to do other types of research, including research on the world market and how different commodities will perform.

Do these agencies ever talk to each other to develop long-term strategies?

Mr. MENDELOWITZ. The explanation of the methodology that went into the long-term strategy that was completed a couple of weeks ago included a description of all the different agencies within USDA that contributed to the study. And the effort, based on their description, did roll up all the different agencies. And if in fact each played an important role in the process, that is a really great precedent to set. Specifically, the value that each brings.

I want to be a little reluctant to be overly critical, because the truth of the matter is most organizations in the world today, whether they are large, private corporations like General Motors, or universities, or the government, are sort of smoke stack-type organizations. You have all these vertical hierarchical structures. Information flows up and down within the smoke stacks. Very little flows across.

One of the breakthroughs that the most advanced and competitive U.S. companies are making today is getting information to flow horizontally as well as verticaly. So that the problem you describe, in terms of do they communicate, is a classic problem of most organizations. And the extent to which the first cut at the long-term agricultural trade strategy in fact resulted in more of the components of the smoke stacks, communicating horizontally, that is a real good start, a good precedent.

## P.L. 480 STUDY

Mr. PASTOR. The other question I have, you are doing a case study of five countries, and the purpose of Public Law 480 is to combat world hunger, to promote sustainable development and that is agricultural development, expand international trade, develop and expand export markets and encourage the development of private enterprise.

But it seems that we provide the food—well, let me make this—this first question is how are these countries selected: Morocco, Jamaica, Guatemala, Philippines, Egypt? Now, those countries seem to have—what is that?

Mr. SKEEN. Lottery.

Mr. PASTOR. Lottery? Well, that is probably how it is done. That is what I want to find out.

How are the criteria to——

Mr. MENDELOWITZ. The countries that are beneficiaries under the program are selected based upon really——

Mr. PASTOR. Lottery.

Mr. MENDELOWITZ [continuing]. Economic activity, food needs. The criteria are reasonably, laid out. The regulations specify, the criteria they use in selecting the countries.

Mr. PASTOR. But it seems that most of the—at least the preliminary study shows that in most of these countries there is very little

product development for us; that we are basically maintaining their market. And even if—they do not have the money to pay us, or they do not have the money to develop. So are we there basically just to feed them?

Mr. MENDELOWITZ. Well, it may be that our objectives for the program are too ambitious. Maybe we should be content to run a program that effectively provides U.S. commodities to countries that do not have the money to pay for it, but have food needs. And anything else we can do on top of that is gravy.

Mr. PASTOR. Because if the trade shows and the marketplace development and all that is not—I am sure it is not geared to these countries.

Mr. MENDELOWITZ. No, it is——

Mr. PASTOR. And so, you know.

Mr. MENDELOWITZ. That is right. I think that you have to view—if you are looking at the role of food aid within market development, you have to look at the long run. You have to look at graduation over very long periods of time from food aid, to less concessional assistance, and finally to the cash market. There have been a small number of countries who have had real success stories in economic development, who have moved from being food aid recipients at one point in history and in fact are cash purchasers today. Probably Korea is the best example.

Mr. PASTOR. Your GAO management review of FAS, how long is it going to take?

Mr. MENDELOWITZ. We expect to have it done by the end of this year.

NAFTA

Mr. PASTOR. So we go another year with the same vehicle, very little change, and we have NAFTA probably coming on board, and yet these are the people who negotiated on our behalf, I guess, on the NAFTA.

How did we do? Have you evaluated that?

Mr. MENDELOWITZ. We did a fair amount of assessment of agricultural trade between the United States and Mexico before the NAFTA negotiations began. What we found was in fact there was a fairly high degree of complementarily between what we can grow and export, and what Mexico can grow and export.

The products that were competitive with U.S. products tended to be available during seasons when U.S. products were not in abundant supply, winter vegetables, for example.

We have a natural advantage in bulk grains and some other products that the Mexicans could not grow in abundance, and we are exporting more of that to them. They have an advantage in winter vegetable crops in the border area. They have been exporting more to us. So that the general consensus has been that U.S.–Mexico agricultural trade has been mutually beneficial.

I have not looked in great detail at the agricultural portion of the NAFTA agreement, but I have not heard large outcries from agricultural interests that felt that there were major deficiencies that would cause American farmers to suffer. I just cannot say definitively, because we have not done a detailed analysis on that.

Mr. PASTOR. Let me compliment you, I know I have not been here long, but I want to commend you for choosing a woman. I know you are not agriculture, but thank you very much.

Thank you, Mr. Chairman.

MARKET PROMOTION PROGRAM

Mr. DURBIN. Thank you, Mr. Pastor.

Mr. Mendelowitz, I want to put on the record here so there is no misunderstanding what this Subcommittee has done with the Market Promotion Program. In the fiscal year 1992, we appropriated some $200 million for this program. Because of concerns shared by you, the appropriation coming out of the House in last year's cycle was $75 million—less than half.

We were importuned at the conference committee to restore funds and did to a level of almost $150 million, but only with the understanding that there would be substantial changes in the program, and they include many of the things which have been called for today as a result of your extensive study.

The promotion funds—I quote from the general provisions of our conference report—"Promotion funds should be allotted to U.S.-based participants which export agricultural products and should encourage smaller, medium-sized and new to export participants."

So we are trying and have tried, I hope successfully in the past, to share the same message which you have delivered as part of your report today.

I probably have a concern over one of the conclusions which you reached about the level of spending for export assistance in agriculture. I believe you have used a figure of $2.7 billion, and I imagine that combines virtually all the programs.

Mr. MENDELOWITZ. That is government-wide spending on all exporting, and it includes direct program support.

Mr. DURBIN. Beyond agriculture.

Mr. MENDELOWITZ. Oh, absolutely. And agriculture's share, that was about $2 billion.

EXPORT PROMOTION

Mr. DURBIN. Well, using the figure $2 billion as an example, trying to put that in some context, our total agricultural exports for the last fiscal year were estimated at $41 billion. So we are talking about a little less than 5 percent on promotion for agricultural exports.

To put it in the historical context, we had larger agricultural exports in 1980 than we had last year. So we cannot sit back complacently and believe that our share in world agricultural exports will increase because of some market force.

In fact, I think quite the opposite is true. What we are finding is that the European Economic Community and other countries like Japan, are aggressively promoting their exports, including agricultural exports. We talked about wine for a minute, and I have had conversations with the smaller and the larger wine producers in this country. It is a gargantuous task for them to break into some of these markets, and it is not the fact that the California wines, or Indiana wines, whatever they happen to be, are not quality prod-

ucts. They are excluded, and we have to push our way in; first, to get the consumers to accept them, and to break down the government barriers.

I would conclude by saying I do not know where agricultural programs are headed in America. I suspect that there will be a lot less spent on them in the future. But my people in middle America, when asked what is your highest priority for government, suggest "promote exports". "Break down the barriers". Let us take what we can produce and get them into other countries.

I think it would be naive for us to step aside and say we should not do that anymore, we cannot afford to do that. I, frankly, do not think we can afford to do otherwise.

You perhaps have made a better argument for exports in the non-agricultural area to be assisted more than they are today. But I certainly believe that we cannot walk away from our commitment in the agricultural sector.

Mr. MENDELOWITZ. I think, Mr. Chairman, that we would be overstepping our place as an arm of the Congress if we were to be propounding judgments on who should or who should not be beneficiaries in terms of sectors, and I do not think that anything that we said today should be construed as saying we should not provide any support to U.S. agricultural exports.

I think the thrust of our message is that this is an area where the taxpayers have placed a lot of money. In Mr. Espy's recent statement that I read last night he referred to the fact that 20 percent of U.S. agricultural exports receive some kind of assistance from the U.S. Government, either under the credit programs, or the market development programs, or the subsidy programs. And this rather substantial expenditure of funds has not been used as effectively and as carefully as it should be. It is public monies. It is a public trust. The taxpayers should get something and should get the most they can out of this money. And our role here today is to emphasize what can be done in the way of better management and better evaluation to achieve the types of objectives and goals that you and the Congress have laid out for the programs.

Mr. DURBIN. Thank you very much, and I thank this panel.

Mr. PETERSON. Mr. Chairman, would you yield for a second?

Mr. DURBIN. Mr. Peterson?

Mr. PETERSON. I am afraid that the test for candidacy in these programs is all wrong. You have brought up the point of market barriers, or it maybe should be where we have massive surplus production. I do not think that those are being measured. And until that is being done, then this program cannot work.

Our candidacies for the products that we are working with to export are not necessarily the products that need the help. And until we put those values on to that process, we could sit here and allocate all kinds of dollars to do what we are doing, they will never be able to do the marketing that I think we need to do.

Mr. DURBIN. If you would hold that thought, as they say, the next panel will address it.

Thank you very much.

Mr. MENDELOWITZ. Thank you very much.

[The prepared statement follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, Committee on Appropriations, House of Representatives

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# U.S. DEPARTMENT OF AGRICULTURE

# Better Management Could Increase Effectiveness of FAS Export Operations

Statement of Allan I. Mendelowitz, Director
Financial Institutions and International Trade
General Government Division

GAO/T-GGD-93-5

# U.S. DEPARTMENT OF AGRICULTURE: Better Management Could Increase Effectiveness of FAS Export Operations

Summary of Statement by Allan I. Mendelowitz, Director
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General Government Division
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Agricultural trade issues have been a major concern for the past decade. Subsidized agricultural export competition has intensified and agriculture trade has become a point of friction between the United States and its major trading partners. At the same time, the number and costs of U.S. agricultural export programs have risen. The current tight budget environment and the substantial resources devoted to agriculture export programs make good management of the programs critical. GAO has concerns about a number of cross-cutting program and management weaknesses that diminish the efficiency and effectiveness of the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service's (FAS) export operations.

FAS manages about $10 billion a year in agricultural export assistance programs. These programs are designed to increase U.S. agricultural exports, and develop and maintain foreign agricultural markets for U.S. products. GAO's 1988 and 1992 transition reports on agriculture and international trade issues urged greater management control over USDA's export programs--including preparing better funding criteria, providing written guidelines and recommendations, and developing an evaluation methodology. GAO also said that improvements in other internal controls were needed. While some improvements have been made in the management of FAS' export programs, GAO believes other changes continue to be necessary.

GAO has also expressed concerns about the extent to which considerations beyond expanding exports have affected the FAS's operations. For example, GAO reviews of the extension of agricultural export credit guarantees to Iraq and the former Soviet Union highlighted how foreign policy and national security considerations can substantially influence the operations of the programs. In such circumstances, creditworthiness considerations can be given too little weight. When this happens, the U.S. government and taxpayers can be exposed to large financial losses.

GAO also continues to believe that a long-term agricultural trade strategy (LATS) is essential in order to efficiently allocate funds for agricultural export programs. Congress mandated the development of such a LATS in 1990. While the law called for the completion of the LATS by October 1991, FAS only completed its

strategy several weeks ago. GAO's initial impression of LATS is that substantial additional work will be needed to make it a useful management tool.

Furthermore, problems with the U.S. government's export promotion programs cannot be fully corrected one agency at a time. A governmentwide export promotion plan with governmentwide budget priorities is also required. Such a plan is mandated by the Export Enhancement Act of 1992. In order to provide coherence to U.S. government export promotion efforts and help ensure that export promotion funding is channeled into areas with the greatest potential returns, an improved LATS must be integrated into the governmentwide plan.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to provide observations on a number of cross-cutting program and management weaknesses that diminish the effectiveness of U.S. Department of Agriculture (USDA) Foreign Agricultural Service (FAS) export operations and programs. These include the Market Promotion and Cooperator Foreign Market Development Programs; the operation of agricultural trade offices and trade shows abroad; the increasing importance of high-value agricultural exports; the implementation of the Title I Public Law-480 provisions in the Food, Agriculture, Conservation, and Trade Act of 1990; the operations and effectiveness of the Export Credit Guarantee Programs (GSM-102/103); and the continuing need for a long-term agricultural trade strategy, as well as a governmentwide trade strategy and budget priorities. My observations are based primarily on GAO reports and testimony issued over the past 3 years. App. I contains a list of relevant GAO reports, and app. II contains a list of relevant GAO testimony.

## MARKET PROMOTION PROGRAM

Last spring we testified before the Subcommittee on Government Information, Justice, and Agriculture of the House Committee on Government Operations, regarding the operations of the Market Promotion Program (MPP). Our work involved program-supported activities in Japan, where we examined activities of five MPP participants. We plan to publish a new report on this program shortly.

MPP was created to encourage the development, maintenance, and expansion of exports of U.S. agricultural products.[1] Established

[1]The Cooperator program--another FAS program in operation since the mid-1950s--has broad goals that are similar to those of MPP. Some Cooperator program participants have transferred their activities to, and now only participate in, MPP; others continue

by the Food, Agriculture, Conservation, and Trade Act of 1990, the program is open to a wide variety of exporters but gives priority to participants adversely affected by unfair foreign trade practices.[2] MPP became the successor to the Targeted Export Assistance Program (TEA), which was established in 1986. From fiscal year 1986 to 1993, over $1.25 billion has been authorized for TEA and MPP. For fiscal year 1993, Congress reduced MPP funding from the prior year's $200 million to $147.7 million. For fiscal year 1993, MPP will operate through about 66 organizations that either run market promotion programs themselves or pass the funds along to companies to spend on their own market promotion efforts. About two-thirds of all program activities involve generic promotions; the remaining one-third involves "branded" (brand-name) promotions. MPP focuses primarily on high-value products such as fruits, nuts, and processed goods.

Market Development Activities Yield Mixed Results

Market development strategies and their activities are directed toward a variety of goals such as overcoming trade barriers, entering a new market, or expanding exports to existing markets. Some program activities did not achieve their objectives. For example, efforts by the California Raisin Advisory Board to introduce raisins as a snack food were not successful in Japan, partially due to inadequate market research and management problems. The "dancing" raisins used by the advertisers were

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to participate in both programs.

[2]The Act defines an unfair foreign trade practice as any act, policy, or practice of a government that (1) violates, is inconsistent with, or otherwise denies benefits to the United States under any trade agreement to which the United States is a party; (2) is unjustifiable, unreasonable, or discriminatory and burdens or restricts U.S. commerce; or (3) is otherwise inconsistent with a favorable Section 301 determination by the U.S. Trade Representative.

reported to be too frightening for Japanese children--a targeted audience--thereby defeating the purpose of the advertising campaign. Furthermore, the U.S. Confectionery Industry's generic advertising efforts in Japan for Valentine's Day did not succeed as a result of inadequate market research. The industry was marketing inexpensive items in a market that preferred premium items.

Other program activities have achieved their objectives. For example, efforts by the U.S. Meat Export Federation to increase consumer awareness of U.S. beef in Japan supported U.S. trade negotiations to remove restrictions on beef imports. After import restrictions were modified, the Federation carried out activities that helped U.S. beef exporters enter the Japanese market or expand exports.

Long-Term MPP Plans Have Not Been Developed

Among other problems, the USDA's planning process emphasizes what can be achieved for each activity in a year, while program participants see their efforts as part of a long-term market development strategy. For example, the Cotton Council International is conducting a multimedia advertising campaign to make U.S. cotton synonymous with quality. This project has been under way since 1989 and is expected to continue for many more years. However, USDA's 1-year approval period disrupts these long-term efforts to develop markets. In the past, approvals were sometimes given late or well into the activity year, thereby breaking the continuity and momentum of promotional programs.

Under the 1992 MPP regulations, however, participants will be required to submit a strategic plan covering 3 or more years. Nevertheless, since activity plans must still be approved annually, difficulties could still result if delays occur in the USDA's approval of activity plans.

FAS Program Evaluations Are Inadequate

Although required to do so, FAS has conducted few formal evaluations of MPP participants' programs. During fiscal years 1986-91, 87 organizations participated in the program. However, during this period, FAS conducted overall evaluations of only 10 participants, including just 7 of the 23 who have received cumulative funding of $10 million or more from 1986 to 1991.

Furthermore, program regulations state that program participants must prepare activity evaluations for FAS. Based on our current work, we found that participants are submitting activity evaluations, but we noted several weaknesses. In some cases, the activity descriptions lack measurable goals and objectives, thus making evaluation difficult, if not impossible. Also, evaluations provide descriptive rather than analytical information. In addition, three participants we interviewed told us that FAS does not provide them with feedback on the evaluations.

Market Promotion Program Lacks Funding Criteria

MPP regulations do not include criteria as to when funding for specific program activities should be phased out, as we suggested in our 1990 report on the predecessor TEA program.[3] Without these criteria, funding for specific activities could continue indefinitely. Government funding may be of particular importance in some situations, but not in others. For example, assistance may be needed to overcome particularly burdensome barriers. However, once these barriers are overcome and the market is developed, federal funding may no longer be justified. In such circumstances,

[3]AGRICULTURAL TRADE: Improvements Needed in Management of Targeted Export Assistance Program (GAO/NSIAD-90-225, June 27, 1990).

we believe that government funding should be phased out, and exporters should assume the full cost of promoting their products.

Moreover, recently there has been considerable debate in Congress and the press about whether program funds should be provided to private for-profit companies to promote their products overseas. We have suggested that FAS better define which companies should be assisted based on their size or other criteria and that standards be devised to ensure that companies eventually take over the cost of their market development activities themselves.

We believe that providing for the phase-out of government funding for specific activities would make clear that these funds are not an entitlement. Furthermore, such action would give the taxpayer greater assurance that public funds supporting MPP are being used to help firms enter new markets. In addition, MPP funds could be available to a larger number of program participants, particularly export-ready smaller firms that arguably have a greater need than many of the larger for-profit private participants currently receiving public funding under the program.

FAS Has Not Clarified Other Issues

As we stated in our 1990 report, we believe FAS should clarify the following issues in order to use its MPP funds more effectively:

-- the percent of total funding that should be allocated to generic and or brand-name promotions;

-- the emphasis to be placed on exports representing high-value products versus bulk commodities (i.e., cotton, corn, soybeans, and wheat);

-- the division of funding between new market development and/or established markets; and

-- the participation levels of large, well-established private firms compared to small and new-to-market firms.

AGRICULTURAL TRADE OFFICES

In January 1992, we completed our review of the USDA's worldwide network of agricultural trade offices (ATO).[2] Our review focused on (1) activities performed by these offices in carrying out their market development mission, (2) criteria used to select trade office sites, (3) USDA efforts to evaluate the effectiveness of trade office activities, and (4) the adequacy of program management and operations. Our report recommended that the Secretary of Agriculture undertake several actions to improve the effectiveness of ATO operations. I would like to summarize the results of this review and report on the USDA's progress in responding to our recommendations.

FAS operates a network of 15 ATOs worldwide at an annual operating cost of about $9.1 million. These offices are located in Europe, Latin America, the Middle East, and Northern Africa. Since the time of our review, FAS has opened two additional ATOs.

Since the FAS' inception in 1953, its mission has been to expand foreign markets for U.S. agricultural commodities through commodity reporting, trade policy work and representation, and market development. Until the establishment of ATOs in 1978, agricultural attaches were responsible for carrying out this mission. Legislative history indicates that ATOs were to act as catalysts for an aggressive export promotion effort to develop markets, provide services and facilities for foreign buyers and U.S. trade representatives, and consolidate export development activities

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[2]See U.S. Department of Agriculture: Agricultural Trade Offices' Role in Promoting U.S. Exports Is Unclear (GAO/NSIAD-92-65, Jan. 16, 1992).

carried out by private, nonprofit agricultural trade organizations participating in the Cooperator program and, later, MPP.

Agricultural Trade Offices Focus on Market Development

ATOs generally oversee Cooperator activities, facilitate U.S. participation in trade exhibits and other promotional functions, and provide trade services to foreign buyers and U.S. sellers. Many of these activities are also carried out by attache posts, but trade offices generally devote more of their total time to market development activities. At the time of our review, 6 of the 13 trade offices were the USDA's sole representatives in a foreign country and were identified by USDA as "de facto" attache posts. Three of these six trade offices spent less than half of their time on market development because there were few market development opportunities in their countries. FAS now plans to redesignate two of these ATOs as attache posts.

Our review recommended that the Secretary of Agriculture establish specialized market development courses; hold annual marketing conferences; and reassess the length of overseas assignments. We found that although the greatest strength of ATOs was considered to be their trade officers, USDA did not have a core curriculum devoted to market development or a forum in which ATO directors could exchange market-development related experiences. Some FAS staff and Cooperators noted that the current rotational cycle was too short and impairs program continuity. In response to our recommendations, FAS has sponsored several market development workshops and marketing conferences, and is reassessing the length of overseas assignments. Although FAS has not committed itself to sponsoring annual marketing conferences, we believe that its initial efforts to increase contact among trade officers is a step in the right direction.

Formal Site Selection Criteria Need to be Developed

USDA established specific criteria and a methodology for selecting the first six trade office sites in 1979 and 1980. However, since 1980, there has been no indication that FAS has used these criteria and the methodology in selecting other sites. In many cases, documentation of decisions on where to locate these offices is no longer available. As a result, USDA could not readily demonstrate that existing or proposed ATOs were in the best locations for maximizing market development opportunities for U.S. products. USDA officials said that factors such as a critical mass of market activity, the potential for market development, and the need to facilitate a U.S. trade presence were considered when selecting a site. In our view, these factors are so broad that USDA can justify placing an ATO almost anywhere in the world.

We found that two other factors have influenced ATO site selections since the program's inception --the ability to locate off embassy grounds and the ability to co-locate with Cooperators. Most trade offices are located off embassy grounds, and about half have Cooperators that are co-located with them. The agricultural trade officers and Cooperators we interviewed favored the physical separation of ATOs from embassies and generally supported co-location. However, neither U.S. trade officials nor Cooperators considered co-location an essential element for market development.

In response to our recommendation to review the criteria and methodology used in selecting the first six trade office sites and develop written criteria and a methodology for evaluating current and proposed sites, FAS formed an ATO task force to review the original criteria and develop specific written criteria to evaluate ATOs. Subsequently, FAS assigned the task of developing written criteria and a methodology for evaluating current and proposed sites to the current ATO Coordinator.

Overall ATO Effectiveness Has Not Been Assessed

We found that the ATOs we visited were focusing on market development as required by the Agricultural Trade Act of 1978. However, USDA has not attempted to evaluate its ATOs' overall effectiveness since 1981. USDA has only evaluated individual staff performance and projects carried out by ATOs (e.g., trade shows, trade leads, and consumer promotions). While this information enables USDA to comment on the success of individual events or services, it does not address the relative value of the various activities or the effectiveness of overall ATO operations. As a result, little feedback can be given to ATOs on which activities are most effective in meeting long-range goals and objectives.

In our report, we recommended that the Agriculture Secretary establish benchmarks to evaluate the effectiveness of ATOs in implementing the USDA's market development programs. In response to our recommendation, FAS revised the elements and standards used to rate the performance of trade officers to more accurately assess each officer's accomplishments in market development. However, FAS still does not evaluate the effectiveness of ATO operations individually or collectively.

In our report, we also recommended that the Secretary of Agriculture define the role and activities of ATOs in USDA's required long-term agricultural trade strategy. We did not believe that FAS could adequately assess the overall effectiveness of its ATOs until this action took place. Although the trade strategy was completed in January 1993, it did not contain any specific references to ATOs. An FAS official advised us that ATOs are considered to be part of the FAS' general organizational resources and that it was unnecessary to make distinctive references to ATOs within the trade strategy. FAS believes that there is no need to further define the role of ATOs in promoting U.S. exports because their role is clearly set out in the 1978 legislation. We do not

agree with this position and continue to believe that the role of ATOs needs to be further defined.

THE TRADE SHOW PROGRAM

Our March 1992 report on USDA's Trade Show Program assessed FAS' administration of the program.[3] We examined (1) the Trade Show Program's role in promoting U.S. agricultural exports, (2) the USDA's program management, (3) the subsidies provided to trade show exhibitors, and (4) the USDA's effort to evaluate the program. I would like to briefly discuss our findings in the report.

Recognizing that trade shows can help increase exports, many countries, including the United States, use these shows to promote exports of their consumer-oriented agricultural products. These are basically retail-ready products that require little or no additional processing for consumption such as fruits, nuts, milk, and chocolate. During the 1980s, world exports of these products increased from $92 billion to $149 billion, or by about 62 percent. By 1989, world exports of consumer-oriented products represented about 53 percent of world agricultural trade.

In fiscal year 1991, USDA spent about $1.9 million to participate in four international shows, to sponsor a show for U.S. products only, and to support four agent shows for overseas agents for U.S. companies. However, this funding represents only a small part of USDA's overall trade show effort, which involves outlays of about $19 million for trade show participation. Most of these funds ($14.25 million) come from the MPP budget. In comparison to the United States, trade shows play a much more significant role in the

[3]See U.S. Department of Agriculture: Better Trade Show Management Can Increase Benefits to Exporters (GAO/NSIAD-92-122 Mar. 10, 1992).

export promotion efforts of our major competitors--countries of the European Community (EC).

Program Management Is Diffused

FAS headquarters has responsibilities for administering certain tasks for the Trade Show Program. However, USDA does not manage the Trade Show Program from its headquarters office. FAS' overseas staff manage most actual trade show tasks. These responsibilities include managing pavilion design, overseeing booth and pavilion construction, and suggesting the level and nature of USDA participation.

By way of comparison, major European competitors manage their participation in trade shows in a more centralized manner. For example, the headquarters management of some competitor countries have standardized pavilions and booths that reduce the cost of designing trade show facilities and assure greater quality control.

FAS' Washington, D.C., staff assigned to the Trade Show Program consist of only three full-time trade show coordinators. They consolidate exhibitor sample shipments, design recruitment brochures, recruit and assist U.S. exhibitors, and provide some preshow preparation assistance. We believe that with its current Washington staff, the Trade Show Program does not have sufficient people to comprehensively recruit and prepare U.S. exhibitors for trade show participation. These functions are essential to having a successful trade show.

Trade Show
Subsidies Have Been High

USDA subsidizes trade shows by providing 55-60 percent of the cost of a U.S. trade show pavilion. In contrast, the Department of Commerce does not provide any subsidies for participants in its

trade show program. USDA charges exhibitors for the remaining costs; however, the charges generally do not take into consideration a company's size, export expertise, or frequency of participation in trade shows. Past experience suggests that lowering the subsidy did not deter experienced exhibitors but did discourage exhibitors that were new to exporting.

Program Evaluation
Is Limited

FAS has expanded its evaluation process to assess program effectiveness and trends over time rather than only examining individual show effectiveness. FAS focuses its evaluation efforts substantially on whether or not exhibitors achieve their participation objectives. However, we believe that weaknesses in the questionnaire design and questionnaire collection procedures affect data quality and reliability. These weaknesses limit how data can and should be interpreted and also skew evaluation results.

FAS does not explore the reasons why companies say they will participate in future trade shows but frequently do not do so. USDA does not know why 87 percent of exhibitors said they would participate again in a particular trade show but only 38 percent actually did return.

Because trade shows are significant to U.S. exporters in showcasing consumer-oriented agricultural products, we made a number of recommendations to the Secretary of Agriculture to strengthen the program, including the following:

-- Reprogram funds to enhance headquarters management of trade shows;

-- Provide a reduced fee for a participant's first few shows; otherwise recoup all direct costs;

-- Improve the evaluation of U.S. participation in trade shows in order to enhance future trade show efforts.

In response to the above recommendations, FAS said it does not believe that it should reallocate resources for trade shows. It states that it plans to do more with less by cutting costs and raising exhibitor participation fees. According to FAS, the Washington staff is currently exerting a stronger management influence over site selection, pavilion design and decor, and other matters related to the trade show program. With respect to preparing exhibitors for trade show participation, FAS reports that it is already taking concrete steps to prepare exhibitors for success at its shows. It notes that exhibitors now receive valuable information about the market for their products, including market studies and importer listings.

FAS reports that at recent trade shows they have collected questionnaires from all the exhibitors' booths. FAS also notes the questionnaire has been revised to more sharply define the quality aspects of a show and the utility of preshow briefing materials. With respect to follow-up of exhibitors after a period of time, FAS plans to contract out for an evaluation of its program.

EMERGING IMPORTANCE OF HIGH-VALUE AGRICULTURAL EXPORTS

High-value products (HVP)[4] constitute a growing proportion of world

[4]HVPs include a wide variety of items, most of which have value added to their original state through specialized handling, transportation, marketing, processing, or packaging. High-value agricultural products are generally classified into three groups: semiprocessed products (e.g. flour, oilseed meal, and animal fats); highly processed consumer-oriented products (e.g., processed meats and dairy products); and high-value unprocessed

agricultural exports, having increased from 66 percent in 1962 to 75 percent in 1990. They represent the leading growth sector in world and U.S. agricultural trade, according to USDA. However, while HVPs play a dominant role in world markets, as late as 1985 they constituted less than 50 percent of U.S. agricultural exports. In 1990, the United States exported $25 billion in high-value products, which constituted 56.1 percent of the total agricultural exports for the United States. In contrast, the EC exported $37 billion in HVPs in 1990, which accounted for 90.9 percent of its total agricultural exports (these figures exclude intra-EC trade).

USDA provides a variety of credit and subsidy programs, as well as export assistance and services, for buyers and sellers of U.S. agricultural commodities. While these programs and services are available to exporters of HVPs, USDA has traditionally emphasized promoting bulk commodities. Bulk commodities account for the vast majority of export sales occurring under the USDA's Export Enhancement Program (EEP) (93 percent) and its export credit guarantee programs -- GSM-102 (77 percent) and GSM-103 (82 percent). According to FAS officials, these programs tend to lend themselves to bulk commodities which are price sensitive and sold in large volumes. HVP exports, on the other hand, are usually sold in smaller volumes and rely on product differentiation. For these and other reasons (e.g., U.S. content requirements) the EEP and GSM programs may not be conducive to promoting HVP exports, according to FAS officials. Smaller USDA programs, such as the export incentive programs for cottonseed oil, sunflowerseed oil, and dairy products, are dedicated exclusively to the promotion of HVP

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consumer-oriented products (e.g, fresh fruit, eggs, and nuts). Bulk commodities, which are raw agricultural products, have little value added after the farmgate besides relatively uncomplicated transportation and handling costs. Some typical bulk commodities are wheat, corn, rice, oilseeds, raw tobacco, and raw cotton.

exports. In addition, MPP devotes almost 80 percent of its funding to support efforts to develop international markets for high-value exports.

There are a number of good reasons why HVP exports should be considered by the U.S. government for export promotion assistance:

-- World HVP trade is continuing to grow more rapidly than bulk trade, although HVP exports are expanding more slowly than world trade in nonagricultural products. And, HVP export growth is expected to continue as world income rises. It makes sense to pursue growing markets.

-- HVP products are more easily differentiated through advertising, marketing, and product development. These are activities in which the United States may have a comparative advantage.

-- Some HVP products may be subject to fewer swings in price and demand as compared to bulk products, and thus may offer more stable market outlets.

-- Promoting HVP exports offers the United States an opportunity to redirect its approach to agricultural exports from a production orientation, which moves surplus production to overseas markets, toward one that is market based and responsive to international demand and U.S. competitiveness.

However, several other considerations may influence the government's decision to reallocate support to HVP exports. To the extent that HVPs rely on further processing, the benefit of increased government assistance for HVP exports may primarily accrue to manufacturers and not farmers. In addition, increased HVP employment may consist of unskilled and low-wage labor, depending on the specific commodity promoted. The government may

prefer to invest in promoting other exports that employ skilled and higher-wage labor.

THE IMPLEMENTATION OF PUBLIC LAW 480 TITLE I PROVISIONS

The Food, Agriculture, Conservation, and Trade Act of 1990 required that we evaluate Public Law 480's three commodity assistance programs: Trade and Development Assistance (Title I), Emergency and Private Assistance Programs (Title II), and Food for Development (Title III). We are specifically required to submit a report to the House Committee on Agriculture, the House Committee on Foreign Affairs, and the Senate Committee on Agriculture, Nutrition, and Forestry. Today, I will discuss the preliminary findings resulting from our current review of USDA's Title I commodity assistance program which includes an export market development objective; we plan to address the Title II and III programs in a separate report.

The 1990 legislation directed us to evaluate the uses of Title I funds with respect to agricultural and trade development, and program administration in five countries in three geographical areas. We have completed our work in Washington, D.C., and our field work in seven case study countries -- Egypt, El Salvador, Guatemala, Jamaica, Morocco, the Philippines and Sri Lanka. We have several preliminary observations, including those related to agricultural and economic development, market development, and the Food Assistance Policy Council. Since we have not completed our audit work, we will address additional topics in our final report. These topics include an examination of the criteria FAS used to select eligible Title I recipients and an explanation of why FAS did not implement the Section 104 local currency program.[5]

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[5]Section 104 authorizes but does not require the Secretary of Agriculture to implement a local currency program. Such a program would permit foreign currencies received as payments for Title I commodities to be deposited in a separate account and

Overview of Food for Peace Programs

The Food, Agriculture, Conservation, and Trade Act of 1990 reauthorized and added activities to one of the oldest U.S. export assistance programs -- Public Law 480, also known as Food for Peace. Public Law 480's objectives are to promote the foreign policy of the United States by enhancing the food security of the developing world through the use of agricultural commodities and local currencies to (1) combat world hunger and its causes; (2) promote sustainable development, including agricultural development; (3) expand international trade; (4) develop and expand export markets for U.S. agricultural commodities; and (5) encourage the development of private enterprise and democratic participation in developing countries.

The 1990 Act reauthorized Title I government-to-government concessional sales of U.S. agricultural commodities,[6] with maximum repayment terms of 30 years and provision for discretionary repayment in local currencies. A major result of the 1990 legislation was to designate USDA as the lead agency for administering the Title I program responsibility in place of the Agency for International Development (AID).

In fiscal year 1992, Title I commodities valued at about $372 million were programmed with 22 countries. The primary commodities shipped under the fiscal year 1992 Title I program were wheat, corn, soybean meal, rice, and vegetable oil; wheat accounted for almost half of the value of total shipments. Six of the newly independent successor states to the former Soviet Union became

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used to promote a variety of agricultural and trade development activities.

[6]The Title I program is considered concessional because it combines interest rates below prevailing market rates and long-term payment provisions.

first time recipients of Title I assistance late in fiscal year 1992, a milestone made possible because Egypt turned back $110 million of its $150 million Title I allocation. To date in fiscal year 1993, agreements valued at $145 million have been signed with six countries, including a $50-million agreement with Egypt.

Title II and Title III programs of Public Law 480 are operated by AID. The 1990 legislation reauthorized the Title II emergency and private assistance donations program and authorized a new Title III Food for Development program. The new Title III program provides government-to-government grant food assistance to least developed countries and permits local sales proceeds to be used to support a variety of economic development and related activities. In fiscal year 1992, Title II commodities valued at about $482 million were programmed with 68 countries and Title III commodities valued at about $240 million were programmed with fourteen countries.

USDA also administers the section 416 and the Food for Progress programs. Section 416 of the Agricultural Act of 1949, as amended, provides for the donation of food and feed commodities owned by the USDA's Commodity Credit Corporation (CCC) and is focused on poor people in developing countries. In fiscal year 1992, the U.S. government programmed commodities valued at about $308 million with 21 countries and the World Food Program. The Food for Progress Program (FFP) provides commodities to needy countries to encourage agricultural reform and is carried out using the authority of Public Law 480 or section 416. In fiscal year 1992, FFP commodities valued at about $127 million were programmed with 10 countries; about 60 percent of these commodities used Title I funding.

Title I Benefits May Not Be Long Term

One of the major objectives of the Public Law 480 program is to enhance a country's food security by facilitating the host country's sustainable economic development, including its agricultural development. Based on our field work in seven case study countries, we found that most U.S. and host country officials considered the saving of foreign exchange provided by the Title I concessionary loan provision to be its most important benefit.

Although Public Law 480 Title I concessional loans contribute to a country's food security in the short run by providing food imports without the expenditure of scarce foreign exchange, we believe that its contribution to sustainable agricultural or economic development in the long run is uncertain. In our view, the foreign exchange relief provided by the Title I program could contribute to sustainable development. This could happen if the money saved by not having to pay immediately for food imports were invested in infrastructure, trade promotion, or agriculture projects that have a positive, long-term impact on development.

According to U.S. and foreign government officials, the Title I program alone generally does not exert sufficient leverage upon recipient countries to ensure that they will undertake specific development-oriented reforms or projects. In most countries receiving Title I aid, Title I provides smaller financial benefits than other U.S. or international assistance programs and carries correspondingly less weight. Consequently, Title I does not always give the United States sufficient leverage to induce the beneficiary countries to undertake development strategies that they would not otherwise undertake.

Market Development Is Not A Guaranteed Outcome Under Title I

Market development has always been one of the stated objectives of the Title I program. According to USDA, a major objective of the Public Law 480 program is to establish a U.S. presence in the markets of developing countries. Once Title I establishes a U.S. market presence, Title I can serve as a market maintenance tool as long as its commodity prices are competitive or the country is in need of concessional credit.

Most FAS field officers told us that Title I was primarily useful as a market maintenance tool, although others said that it was not even that useful. In Morocco, Jamaica, and Egypt, field officers said that the Title I program functioned as a market maintenance tool and did not contribute significantly to creating or expanding opportunities for U.S. agricultural commodities. In other countries, FAS field officers advised us that their countries would continue buying Title I commodities with or without Title I assistance. On the other hand, in the Philippines, there is some evidence that Title I was instrumental in introducing a new U.S. produce -- soymeal -- into the market.

According to FAS officials, long-term market expansion in most Title I countries is constrained by those countries' limited purchasing power. Due to chronic foreign exchange shortages and large debt burdens, Title I countries tend to import only the most essential food items and seek the lowest bidder when purchasing agricultural commodities. Therefore, although the United States is able to export a narrow range of commodities on concessional terms through Title I, this ability does not guarantee that the United States will also capture Title I countries' more profitable commercial markets for these or other commodities.

Elimination of the Development Coordinating Committee Has Streamlined Title I Program Operations

In March 1990, as part of our testimony on the Public Law 480 Food for Peace Program, we reviewed the operational effectiveness of the Development Coordination Committee (DCC). We reported that although the committee provided a mechanism for integrating Public Law 480 agricultural trade and food aid objectives, its decision-making process caused delays in negotiating and signing country agreements. As part of our current review, we have found that the elimination of the DCC and the Act's designation of USDA as the lead administrator of the Title I program, has streamlined the administration of Title I. In 1991, the DCC was replaced by another interagency council, the Food Assistance Policy Council (FAPC), which has met about twice a year since its inception.

Before the 1990 legislative changes, Title I was administered by the DCC, whose members included USDA, AID, the State Department, the Office of Management and Budget (OMB), and the Treasury. Two working committees of the DCC met on a staggered biweekly basis to allocate Public Law 480 assistance, review agreements, and monitor the implementation of the program in each country. Since all decisions had to be reached by consensus, the DCC's efforts to implement Public Law 480's three separate titles were cumbersome because of the law's multiple objectives and each agency's separate interests in fulfilling them.

DCC has been replaced by the Food Aid Policy Council (FAPC), an interagency body that oversees, rather than administers, the Public Law 480 program. FAPC meets once a year to review and approve the FAS' proposed country lists and allocations. The FAPC does not have much involvement with Title I beyond the initial allocation process; ongoing administration is primarily the responsibility of FAS. According to the FAS' staff representative to FAPC, the interagency group may also meet on an ad hoc basis when issues



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involving more than one Title I Public law 480 request need to be discussed. So far, FAPC has held only one ad hoc meeting, in order to consider an AID request to transfer some Public Law 480 funds from Title I to Title III.

## FAS' ADMINISTRATION OF THE COMMODITY CREDIT CORPORATION'S EXPORT CREDIT GUARANTEE PROGRAMS

Under the Export Credit Guarantee programs (GSM-102/103) financial institutions in the United States provide financing for agricultural export sales to specified countries. The United States government, through CCC, guarantees the financial institutions that if the foreign country fails to repay the debt, CCC will pay.[7] The GSM-102 program guarantees repayment on credits having repayment periods of up to 3 years, and the GSM-103 program guarantees repayment on credits having repayment periods of between 3 and 10 years. Legislation requires that for each of the fiscal years 1991 through 1995, not less than $5 billion in GSM-102 credits be made available and not less than $500 million in GSM-103 credits be made available. Legislation also requires that in addition to those amounts, not less than $1 billion in GSM-102/103 credits be made available for each fiscal year 1991 through 1995 for emerging democracies.

The GSM-102 program began in 1981, and the GSM-103 program began in 1986. Since these programs were established, CCC has provided over $41 billion in credit guarantees and paid out approximately $4.2 billion to banks due to defaults by the borrowing countries. About

[7]CCC generally guarantees repayment of 98 percent of the principal due and a portion of the interest amount due. The banks making the loans accept the remaining risk. In some cases, when banks have been reluctant to accept a 2-percent risk on principal, CCC has guaranteed 100 percent of the principal due. This situation has occurred with loans to Mexico and the former Soviet Union.

$1.5 billion of the amount paid out was for defaults by Iraq following the beginning of Operation Desert Shield in 1990.

The amount CCC has paid out thus far under its repayment guarantees represents about 10 percent of the total guarantees provided. However, our recent analysis of the CCC's $13.55 billion in outstanding guarantees as of June 30, 1992, concluded that cumulative program costs would be closer to 48 percent, assuming the programs were terminated on June 30, 1992.[8]

Past operations of the programs have incurred significant high costs because CCC has provided a large amount of guarantees to high-risk countries, such as Iraq and the former Soviet Union. Guarantees had been extended to such high-risk countries because of market development concerns and foreign policy considerations.

On the question of whether the GSM-102/103 programs have increased U.S. exports worldwide, we were unable to obtain any empirical evidence that answers this very difficult question. However, program officials did present us with some case studies and examples that show that these programs have helped boost U.S. agricultural exports to individual countries at specific times.

Iraq's Participation in the GSM-102/103 Programs

Iraq began participating in the GSM-102/103 programs in 1983. Between 1983 and November 1989, Iraq was provided approximately $5 billion in export credit guarantees. These credits were the cornerstone of the U.S. policy towards Iraq during the time of its war with Iran, and thereafter. However, beginning in 1985, questions about Iraq's creditworthiness and ability to repay began to surface. And by the fall of 1989, when the news of an

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[8]See Loan Guarantees: Export Credit Guarantee Programs' Costs Are High (GAO/GGD-93-45, Dec. 22, 1992).

investigation into loans to Iraq provided by the Atlanta, Georgia, branch of the Banca Nazionale del Lavoro (BNL) became public, GSM-102/103 credits for Iraq came under intense government scrutiny. On August 2, 1990, following Iraq's invasion of Kuwait, the President announced a trade embargo on Iraq, including a prohibition on granting credits for the purchase of U.S. agricultural commodities. At that time, CCC had about a $2-billion liability under its Export Credit Guarantee programs covering private bank loans to Iraq.

Our November 1990 report[9] on Iraq's participation in U.S. agricultural export programs found that even though the FAS' risk analysis documents for fiscal years 1989 and 1990 rated Iraq as a high-risk market for granting substantial credit guarantees, USDA continued to approve credit guarantees through fiscal year 1990. We noted that the U.S. desire to build a strategic and agricultural trade relationship with Iraq outweighed the apparent financial risks involved. In that report, we also pointed out that evidence of Iraq's human rights violations was discounted. Our report and subsequent testimony before Congress also raised questions about the interagency and departmental decision-making processes that sanctioned U.S. government credit guarantees to Iraq. We are currently in the process of completing a series of congressionally requested follow-up reviews of Iraq's involvement in the Export Credit Guarantee programs.

Long before the problems involving Iraq's participation in the GSM programs surfaced, we were critical of FAS' management and lack of internal controls over these programs. For example, in a report issued almost 5 years ago we recommended that FAS officials perform on-site inspections to ensure that only U.S. agricultural

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[9]<u>INTERNATIONAL TRADE: Iraq's Participation in U.S. Agricultural Export Programs</u> (GAO/NSIAD-91-76, Nov. 14, 1990).

commodities were exported under the programs.[10] FAS has maintained that such measures are not needed because the GSM export sales are private, commercial transactions subject to the normal controls that exist in the marketplace. We disagreed with FAS' position because the GSM export credit guarantee programs include a taxpayer-financed contribution. Because the U.S. government is incurring a contingent liability when CCC guarantees repayment of the GSM loans, we believe that FAS has the responsibility to take measures to ensure that these guarantees are used properly. One way to help ensure this is to physically spot-check the financed commodities' shipment and delivery.

FAS, at its own initiative or under the direction of the Congress, has taken action on some of our other recommended changes to program management. However, an area that we are still concerned about is the monitoring by FAS of the participation of U.S. financial institutions in the GSM-102/103 programs. In testimony we provided in November 1989 before several subcommittees of the House Agriculture Committee, we pointed out that two banks, the National Bank for Cooperatives and the Banca Nazionale del Lavoro, had provided a significant percentage of GSM-102/103 loans.[11] Together the two banks provided approximately one-third of the GSM-102 loans over a 5-year period and almost three-fourths of the GSM-103 loans over a 3-year period. In addition, both banks were significant lenders to just one country--Iraq. When we questioned FAS officials about whether or not it was appropriate to allow two banks to participate to such a large extent, their response was

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[10] INTERNATIONAL TRADE: Commodity Credit Corporation's Export Credit Guarantee Programs (GAO/NSIAD-88-194, June 10, 1988).

[11] Status Report on GAO's Reviews of the Targeted Export Assistance Program, the Export Enhancement Program, and the GSM-102/103 Export Credit Guarantee Programs(GAO/T-NSIAD-90-12, Nov. 16, 1989).

that the risk to the program is unaffected irrespective of whether one bank or multiple banks provide the loans to any particular country. We continue to believe that there is a risk in allowing just one or two banks to participate to such a large extent in the programs.

In summary, FAS has consistently maintained that it has a limited role in monitoring and overseeing the GSM programs despite significant U.S. government sponsorship and government exposure to large financial losses.

## Former Soviet Union Participation in The Export Credit Guarantee Programs

Another example of the difficulties associated with management of the GSM programs has been the increasingly significant participation of the former Soviet Union (FSU). A December 1990 U.S. government decision to provide agricultural export credit guarantees to the Soviet Union was a major, precedent-setting agricultural trade initiative. The initial approval of U.S. credit guarantees was made possible by evidence of Soviet emigration liberalization and the temporary waiving of restrictions under the Jackson-Vanik amendment to the 1974 Trade Act that had made credit guarantees to the Soviet Union contingent upon the enactment into law of liberalized emigration policies.

Since the approval of the first credit guarantees to the Soviet Union, the Commodity Credit Corporation has made available credit guarantees for the former Soviet Union and its successor states equal to $5.95 billion. Of this amount, nearly $5 billion has been used, about $450 million is apparently no longer available, and

almost $520 million is held up owing to defaults on payments due.[12] Of guaranteed sales registered to date, the former Soviet Union received $3.74 billion, Russia $1.06 billion, and Ukraine $179 million.

GSM-102 credit guarantees offered to the former Soviet Union, Russia, and Ukraine during FY 1991 and FY 1992 accounted for approximately 29 percent of all GSM-102 commitments offered during the FY 1990-92 period. For FY 1991 and FY 1992 combined, the FSU and successor states purchased 72 percent of all GSM-102/103 exports of soybean meal, 71 percent of corn, 67 percent of barley, 64 percent of poultry meat, 51 percent of wheat, 21 percent of soybeans, and 100 percent of hops, almonds and chicken franks.

Since the inception of the GSM export credit guarantees to the Soviet Union, the issue of creditworthiness has dominated the discussion. As we observed in our June, 1991 report, questions about Soviet creditworthiness have been raised by executive and legislative branch officials, as well private sector analysts. We also noted that the extension of U.S. agricultural credit guarantees has been problematic in light of the restriction in Title XV of the Food, Agriculture, Conservation, and Trade Act of 1990. This restriction prohibits the Secretary of Agriculture from issuing export credit guarantees to any country that the Secretary determines cannot adequately service the debt associated with such a sale. The act also prohibits the issuance of export credit guarantees for foreign aid, foreign policy, or debt rescheduling purposes.

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[12]Of the $520 million in unused commitments, about $390 million are for Russia and $130 million for Ukraine. The Russian program has been suspended because of Russian defaults on GSM-102 payments for former Soviet and Russian debt. According to a USDA official, the Ukrainian credits are not likely to be registered for sale until the defaults on the former Soviet Union's GSM debt are resolved.

Last fall the Congress passed and the President signed into law measures that reinforced U.S. Government support for the states of the former Soviet Union and reiterated support for extending credit guarantees to these new nations.[13] However, since late November, 1992, Russia has defaulted on scheduled payments on GSM-102 guaranteed debt. As of January 29, 1993, defaults totalled almost $241 million.

The new Secretary of Agriculture recently said that USDA considers Russia and Ukraine to be very important markets and that loss of these markets would have a detrimental impact on domestic markets and U.S. commodity support programs. The Secretary said he would like to find a way to keep selling grain to Russia, but the taxpayers have a right to know that countries to which we extend credit guarantees can pay for the purchases. The Secretary indicated that the issue of how to continue grain sales to the successor states is currently being examined by the administration and that the issue includes national security as well as market considerations.

GAO MANAGEMENT REVIEW OF FAS

As you know, over the years, FAS programs and practices have been the subject of many of our audits and investigations, as well as those of the USDA's Inspector General, the Justice Department, and various congressional committees. The resulting reports have disclosed substantial loan guarantee defaults, lack of program criteria and evaluation, program abuse, and other questionable FAS management practices. The many weaknesses in FAS programs and practices revealed in these reports raise fundamental questions regarding FAS organization, operations, and management. Until now, we have not reviewed agencywide management issues in FAS.

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[13]FREEDOM Support Act of 1992, Public Law 102-511, Oct. 24, 1992.

At the request of the Chairman of a House Agriculture Subcommittee, we are conducting a general management review of FAS. The primary objective is to review how the agency's management affects its ability to accomplish its mission of promoting agricultural exports. Our management reviews generally examine organizational structure, strategic planning, objectives, and various management systems. These management reviews often link weaknesses in management systems (such as human resources management) with agency problems in meeting its objectives.

Some of the issues being addressed in our management review include (1) the mission of FAS and its structure and activities; (2) the allocation of human resources among its diverse activities, including commodity reporting and trade policy; and (3) the management of its foreign service employees. Completion of this assignment is expected before the end of 1993.

NEED FOR A LONG-TERM AGRICULTURAL TRADE STRATEGY

The Food, Agriculture, Conservation, and Trade Act of 1990 required the Secretary of Agriculture to develop a long-term agricultural trade strategy (LATS) and report to Congress on it before October 1, 1991.

The stated goals for the strategy are to ensure:

-- the growth of exports of U.S. agricultural commodities;

-- the efficient, coordinated use of federal programs for promoting the export of U.S. agricultural commodities;

-- the provision of food assistance and an improvement in the commercial potential of markets for U.S. agricultural commodities in developing countries; and

-- the maintenance of traditional markets for U.S. agricultural commodities.

The act further mandated that USDA designate priority growth markets and include individual market development plans for each priority market beginning October 1991. USDA did not submit the long-term agricultural trade strategy until January 15, 1993. While we have had the opportunity to give the LATS only a cursory review, our initial impression is that substantial additional work will be needed to make it a useful management tool.

## AGRICULTURE'S PROGRAMS ARE NOT LINKED TO A GOVERNMENTWIDE EXPORT PROMOTION PLAN

In evaluating the USDA's export promotion activities, it is worthwhile to consider how they fit into governmentwide efforts to promote U.S. products in world markets. Ten federal government agencies currently offer programs to help business begin exporting or to expand their exports. In fiscal year 1991, these agencies spent about $2.7 billion on export promotion programs. However, these export promotion programs are not funded on the basis of any governmentwide strategy or set of priorities. Consequently, taxpayers do not have reasonable assurances that the public's money is being effectively used to emphasize sectors and programs with the highest potential returns.

For example, USDA spent about $2 billion on export promotion in fiscal year 1991. Thus, while agricultural products constitute only about 10 percent of U.S. exports, USDA spends almost three-quarters of the government total outlays on export promotion.

By itself the USDA's MPP received more funds in fiscal year 1991--$200 million--than was spent by the Commerce Department on all its export promotion programs put together. The Department of Commerce spent about $91 million to support exports of nonagricultural

products through its U.S. and Foreign Commercial Service (US&FCS). This money had to support a large network of 131 posts in 67 countries and 47 domestic offices.

Commerce's US&FCS staff in Japan operated in fiscal year 1991 on a budget of $4.3 million. In contrast, USDA budgeted almost $64 million for MPP in Japan during the same year.

Improving the USDA's export promotion programs, as well as all the government's export promotion programs, is important. However, the most significant progress cannot be achieved one agency or one program at a time. In our January 1992 report to the House Committee on Government Operations reviewing the funds of all the federal government agencies involved in export promotion, we recommended that Congress require that all export promotion programs be integrated into a governmentwide strategic plan and funded in a manner consistent with the priorities given them under the plan.[14]

The Export Enhancement Act of 1992 (P.L. 102-429) incorporated our recommendations for developing a governmentwide strategic plan to promote exports and for establishing governmentwide budget priorities for export promotion programs. Hence, we believe that future funding for the programs discussed today should be considered in the context of governmentwide export promotion efforts. As part of this effort, in order to provide coherence to U.S. government export promotion efforts and help insure that export promotion funding is channeled into areas with the greatest potential returns, an improved LATS must be integrated into the governmentwide plan.

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[14]Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

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Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or other Members of Subcommittee may have.

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Dichotomy Between U.S. Tobacco Export Policy and Antismoking Initiatives (GAO/T-NSAID-90-42, May 17, 1990)

Status Report on GAO's Reviews on P.L. 480 Food Aid Programs (GAO/T-NSIAD-90-23, Mar. 21, 1990)

Status Report on GAO's Reviews of the Targeted Export Assistance Program, the Export Enhancement Program, and the GSM-102/103 Export Credit Guarantee Programs (GAO/T-NSIAD-90-12, Nov. 16, 1989)

Status Report on GAO's Review of the Export Enhancement Program (GAO/T-NSIAD-89-45, July 31, 1989)

Commodity Credit Corporation's Export Credit Guarantee Programs (GAO/T-NSIAD-89-9, Mar.1, 1989)

Commodity Credit Corporation's Export Credit Guarantee Programs (GAO/T-NSIAD-89-2, Oct. 6, 1988)

TUESDAY, FEBRUARY 23, 1993.

## FOREIGN AGRICULTURAL SERVICE

### WITNESSES

CHARLES J. O'MARA, ACTING UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, DEPARTMENT OF AGRICULTURE;

RICHARD B. SCHROETER, ACTING ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE;

PHILIP L. MACKIE, ASSISTANT ADMINISTRATOR, COMMODITY & MARKETING PROGRAMS, FOREIGN AGRICULTURAL SERVICE;

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

### OPENING REMARKS

Mr. DURBIN. Mr. Schroeter, we have your statement. It will be included in the record in its entirety. If you will be kind enough to summarize your remarks, I think the panel is primed for asking some specific questions, and we would probably like to get to them. So if you can give us a summary, we will proceed.

At this point in the record we will insert the biographical sketches for the Acting Under Secretary, Acting Administrator and Assistant Administrator.

[The biographical sketches follow:]

#### CHARLES J. O'MARA, ACTING UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE

Charles J. (Joe) O'Mara holds the rank of Minister Counselor in the Department of Agriculture's Foreign Agricultural Service. In January 1990, U.S. Trade Representative, Carla Hills, and former Secretary of Agriculture, Clayton Yeutter, appointed Mr. O'Mara as their negotiator for agriculture in the Uruguay Round of multilateral trade negotiations. In August 1991, he was named Special Trade Negotiator in the Department's International Affairs and Commodity Programs Office, where he has maintained his responsibilities for the Uruguay Round and spearheaded negotiations on agriculture in the North American Free Trade Agreement (NAFTA). He is currently serving as Acting Under Secretary for International Affairs and Commodity Programs.

From 1984 through 1989, Mr. O'Mara was Assistant Administrator for trade policy in the Foreign Agricultural Service where he directed the formulation and implementation of U.S. agricultural trade policy. Prior to that, he served as Deputy Assistant Administrator for Trade Policy (1982–1984), Director of the Western Europe-Inter America Division (1981–1982) and Deputy Director for Analysis of the Oilseeds and Product Division (1980–1981). Mr. O'Mara has also served as Agricultural Minister-Counselor in Geneva, Switzerland and Agriculture Attache in Brazil and Argentina.

Mr. O'Mara was born in Baltimore, Maryland. He is a 1967 graduate of the University of Maryland with a Bachelor of Science degree in Business Administration.

He and his wife Susan have one daughter, Ellie, and two sons Stephen and Matthew. They reside in Silver Spring, Maryland.

Richard B. Schroeter

Mr. Schroeter is a native of Reedley, California, and a graduate of the University of California in Los Angeles, California. He received his B.S. and M.S. in Economics.

Mr. Schroeter began his career with the Foreign Agricultural Service in 1966 as an International Economist and served as Assistant Agricultural Attache in the U.S. Mission to the EC from 1970 to 1975. In 1978, he became Director of the Market Economics Division, ITP. Mr. Schroeter moved to the Horticultural and Tropical Products Division, Commodity and Marketing Programs, in 1979 as Deputy Director of Marketing. Mr. Schroeter became the Deputy Assistant Administrator, Trade Negotiations, International Trade Policy, in 1987 and later in May 1991 became the Assistant Administrator of International Trade Policy.

Mr. Schroeter assumed his present position of Acting Administrator of the Foreign Agricultural Service in January 1993.

He is married, has 2 children and lives in McLean, Virginia.

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Philip L. Mackie

Dr. Mackie is a native of Elkton, Maryland. He holds a B.S. and PhD in Agricultural Economics from the University of Maryland in College Park, Maryland.

Dr. Mackie began his career in the Department of Agriculture in 1961 in the Statistical Reporting Service. He joined the Foreign Agricultural Service in 1968 as an Agricultural Economist in the Dairy & Poultry Division, Commodity Programs, and has served in positions in the Assistant Administrator's Office, Commodity Programs, and the Livestock—Meat Products Division. In 1974, Dr. Mackie became Deputy Assistant Administrator, Foreign Commodity Analysis and in 1979 was appointed Director, Oilseeds and Products Division.

Dr. Mackie assumed his present position of Assistant Administrator of the Commodity & Marketing Programs in July 1989.

Dr. Mackie resides in Silver Spring, Maryland.

[Clerk's note.—The state of the Acting Administrator appears on pages 576 through 586. The statement of the Acting General Sales Manager appears on pages 587 through 600. The Explanatory Notes appear on pages 690 through 753.]

Mr. Schroeter. Yes, sir.

Thank you, Mr. Chairman. But before I proceed, perhaps I could ask Mr. O'Mara to do a short overview of the programs, both in FAS and OICD; and then Mr. Mackie and myself could present a few more details.

Mr. Durbin. Fine. Thank you.

Statement of the Acting Assistant Secretary

Mr. O'Mara. Thank you, Mr. Chairman. I have just a short statement. It will take a few minutes.

We appreciate the opportunity to be here today to talk about the International Affairs and Commodity Programs part of the Department of Agriculture. If you do not know these gentlemen, let me introduce them. To my left is Rich Schroeter, who is the Acting Administrator of the Foreign Agricultural Service. To my right is Phil Mackie, who is the Acting General Sales Manager and Glenn Whiteman, who is also here to help us with respect to GSM programs. And John Miranda, who is behind me, is the Acting Administrator of OICD. Mr. Dewhurst, of course, is here. He is the only one of us, sir, that is not acting. [Laughter.]

Now, before I ask these fine gentlemen to get specific about the individual programs in their agencies, I would like to say that the President will send his fiscal year 1994 budget proposal to the Congress in early April and, of course, for this reason we are not in

any position today to discuss budget proposals for specific programs and activities.

However, I can tell you that within the department, Secretary Espy has challenged all of us to do our part, to work harder, smarter and more efficiently to better serve farmers, exporters, consumers and the American people. And there is no area of the department where this challenge is more relevant than in the international field. This is because export expansion is the key to prosperity for our farm sector.

We are working to improve our competitive position in the world market today, and to provide growth opportunities for the future. Secretary Espy has made this effort one of his major goals.

### INTERNATIONAL CHALLENGES

As you know, U.S. agriculture continues to face a number of serious challenges on the international front. An immediate challenge is resolving the purchasing problems of Russia and Ukraine so that we can resume shipments to these major customers. These, of course, are markets we cannot afford to lose. Although we are still moving some commodities to the region through food and feed assistance efforts, and through third country buyers, we need to design a program so that U.S. agriculture can continue to play a positive role in the ongoing changes in this region. All of us at this table are working hard to find a solution to this difficult problem, and we would be pleased to hear the views of you and the subcommittee in that respect.

Beyond the financial problems in the former Soviet Union, our producers continue to face protectionist trade barriers, unfair trade practices and self-sufficiency policies around the world. Under Secretary Espy's direction, we intend to move forcefully to counter unfair competition and to convince our trading partners to change these policies, using all the export and trade policy tools at our disposal.

NAFTA, which, of course, has been completed, will expand our market opportunities in the North American region, which is already a market of some $8.5 billion. After seven years of rather intense effort, the agricultural part of the GATT negotiation is about three-quarters finished, and this will deal with trade problems and market expansion for our producers on a global basis.

We have also recently settled longstanding disputes with the European Community on oil seeds, corn gluten feed, and malt barley sprouts. Mr. Schroeter and I have been very much involved in these efforts, and we would be pleased to hear the views of subcommittee on this subject.

I also might add, Mr. Chairman, that we look forward to working with you as you lead a delegation to Mexico City shortly, to look into the NAFTA situation.

### EXPORT SITUATION

Mr. Chairman, with the tools provided to us by Congress, we have undertaken a long-term investment to expand exports and global opportunities for U.S. agriculture, with particular emphasis on high value and processed products. This commitment is bringing

dividends today. U.S. agricultural exports have increased in five of the last six years, and fiscal 1992 was the second highest export year on record, supported by nearly $9 billion in shipments under USDA export and aid programs.

This year, too, our export performance so far has been stronger than expected. I can report to you today that U.S. agricultural exports for the first quarter of fiscal 1993 reached $11.8 billion, up four percent from a year ago, and the best first quarter performance on record. And this record level was achieved despite sharp declines in U.S. sales to the former Soviet Union and China.

An important long-term stimulus to trade is our work to help less developed nations surmount the barriers of hunger and poverty. The Office of International Cooperation and Development links the technical and scientific expertise of the U.S. agricultural community and other nations, helping to ensure the long-term viability of U.S. agriculture through joint work in such areas as germ plasm exchange, biological and pest control and natural resource management.

It also provides tools to help build stable economies and a more prosperous world. This, in turn, supplements our export expansion mission by creating new markets for U.S. agriculture as incomes and dietary demands in less developed nations improve.

Resource limitations only mean that we must work harder to use the programs and tools Congress has given us to responsibly, effectively and aggressively defend the interest of U.S. agriculture, challenge unfair competition and deal with new markets for the future.

Mr. Chairman, I want to assure you and this subcommittee of our commitment to be effective, prudent managers of taxpayers' dollars and to redouble our efforts to maintain the confidence of Congress and the public as we work to assure U.S. agriculture's place in the changing global marketplace.

Thank you, sir, and we welcome your advice and counsel.

### IMPACT OF GATT AND NAFTA

Mr. Durbin. Thank you, Mr. O'Mara. You have had some background in trade negotiations over the last several years. Could you tell us what the impact of GATT and NAFTA will be on our present programming for the export assistance?

Mr. O'Mara. In the case of the GATT, Mr. Chairman, of course, that negotiation has not yet completed. The three-quarters that have been completed relate to phytosanitary and sanitary issues, which will make trade in commodities, particularly fruits and vegetables and animal products, a much more open system. Hopefully at the conclusion of this negotiation on that subject, there will be scientifically-based barriers to protect human and animal and plant health, and not trade barriers.

Mr. Durbin. Well, I am asking you to think ahead. In the work of NAFTA and GATT, if it is completed as we envision it, will the United States still be able to aggressively promote its agricultural products in these countries that are party to the treaty?

Mr. O'Mara. With respect to the GATT, there will be an export subsidy outcome there, Mr. Chairman, which will reduce the role of subsidized exports in the marketplace by ourselves and other subsi-

dized exporters, particularly the European Community. It will not eliminate export subsidies.

Mr. DURBIN. Now, there are direct subsidies, of course, in the United States. Do they characterize market promotion programs and the like, to be an indirect subsidy to products?

Mr. O'MARA. No, sir. We managed to make sure that that was not included.

Mr. DURBIN. So we would be able to continue programs like this. But if it came to, for example, credit subsidy or direct crop subsidy, that would be influenced or affected by the treaties?

Mr. O'MARA. The effect of the treaty, as you say correctly, will deal with direct export subsidies. Our credit guarantee program will not be dealt with in the GATT negotiation, although there will be eventually an OECD arrangement with respect to agricultural credits.

And as far as market promotion programs, they are not part of any discipline that would come out of the GATT negotiation.

Mr. DURBIN. It would seem to lead us to the conclusion that, if we reach this point with GATT being approved, we have to improve our skills at market promotion to use that particular instrument or program to our advantage in promoting American agricultural exports.

Mr. O'MARA. It would be.

MARKET PROMOTION PROGRAM

Mr. DURBIN. Now, let me switch to the specific program, Market Promotion Program, which has been the subject of some controversy over several years. You probably missed the testimony before you by the GAO and their own opinions on the program.

This Subcommittee, working with its counterpart in the Senate, attempted to make some changes, policy changes in the way that program was to be implemented in this fiscal year.

Can you testify, or someone with you testify, as to what the actual impact of those recommended changes has been so far?

Mr. O'MARA. Yes, sir, I will turn that over to my able colleagues, Mr. Mackie and Mr. Schroeter.

Mr. Mackie is in charge of the operational aspects of the MPP. So if I could ask him to address that, I would ask him to do so.

Mr. DURBIN. Please do.

Mr. MACKIE. Thank you, Mr. Chairman.

MPP ALLOCATION CRITERIA

In terms of the criteria under which we allocate the money under the MPP, we work under a fairly strict set of criteria which are common across the program and that are measurable on an equal basis among all the applicants. These criteria include: the presence or absence of an unfair trade practice, which is a priority consideration in the legislation; the contribution level that the participants themselves are willing to put up as a joint part of the program; the level of the budget in comparison with both the level of exports for the particular product or commodity and the expected increase in exports as a result of putting money into the program; the market share goals that the participants states; and how well

that participant did in terms of what they said they were going to do in the previous year. In other words, if they are not performing up to the standards upon which we granted the money in the previous year, that acts as a negative factor in terms of what they will receive this year.

Now, as a result of the appropriations report last year, we introduced two new factors into the allocation process. One was the degree to which product was processed in the United States; and the second was the level of U.S.-origin content in the product being promoted. The higher the level of U.S. origin in the product and the more processing in the United States, would count as a favorable element in allocation of the funds.

PARTICIPATION OF SMALLER ORGANIZATIONS IN MPP

Mr. DURBIN. One of the other elements in our report suggested that the program encourage smaller, medium-size and new-to-export participants, and I didn't hear that in your list of criteria.

Mr. MACKIE. No, sir, you did not. Let me make two points in that regard.

One, that has not been a criteria upon which we developed and currently operate the program, which we think is consistent with the implementing legislation. The bottom line has been the increase in exports out of the United States. Whether that has been done by small companies or large companies has not been a factor. We have not looked at the program as a small business program. We do not have the information at this time to determine the spread of funding across small companies, large companies. We are in the process of going out to solicit that information, if the OMB gives us the okay under the Paper Work Reduction Act.

Mr. DURBIN. Well, Mr. Myers raised this point earlier, and I thought it was a good one. It is one that ought to be debated fully and we ought to give you, I think, more guidance on what to do with it. And that is, whether or not we should in some way disqualify or discourage large firms from participating in this program. I think on a case-by-case basis I can come down on either side on that.

Mr. MACKIE. Mr. Chairman.

Mr. DURBIN. Go ahead.

Mr. MACKIE. There is one other point, though. The few large firms attract a lot of attention in the press, but there are numerous companies that participate in this program. There are over 600 companies in any one year. We have a program, particularly through the states and regional organizations, which is specifically designed for small companies. As part of the program, last year we carried out 37 seminars around the country as to how to get into the export business through these organizations. So there is a small business component of the program.

CONSIDERATION OF ADDITIONALITY

Mr. DURBIN. I do not question that, but we get down to some very fundamental questions. There was a controversial allocation to McDonald's Corporation through the Egg Council to promote Egg McMuffin sales in Germany. I honestly cannot sit here and

justify in my own mind spending that money. An international corporation like McDonald's certainly has a market plan before they decided to go into Germany, and it must have included the idea of Egg McMuffin. Any idea that American eggs are being used to somehow require this subsidy strikes me as unnecessary. You can argue from the other side that perhaps you need a larger company in order to penetrate a big market. Some smaller companies might not be able to do it, may not be able to offer the kind of aggressive marketing within the country.

So you really come down with, I think, a kind of inconclusive situation here that really depends on the merits of each case.

Let me ask you one question that was brought up by GAO. Do you take into consideration the factor of additionality?

Mr. Mackie. Sir, it is not a specific criteria, but certainly I think that is a desire which we all share for this program. What we do know is the money that we allocate is going for promotions that are consistent with the regulations and so forth.

I think the question of additionality, in the way GAO put it, would be extremely difficult to implement from an administrative standpoint. We would have to look at the promotional program for a company on a worldwide basis to ensure that the specific project which we are approving in Germany, or Hong Kong, or wherever, was in fact additional across the board. It would be administratively difficult at least.

RESPONSE TO GAO TESTIMONY

Mr. Durbin. Most of the members of this panel were sitting through the GAO testimony. Is there anything you would like to say in response to points made by the representatives of the General Accounting Office? [Laughter.]

Now is your chance. [Laughter.]

Mr. Mackie. I think basically my response would be that the criticisms of the program at this point are really questions of a philosophical nature rather than an administrative nature. I did not hear any criticisms of the administration of the program as it currently exists. I heard stories from what happened five and six years ago. I think the criticism is focused on the kinds of issues that we have been discussing, whether or not it should be a small business program, whether it should emphasize new-to-market firms, that sort of thing, as opposed to the way the program has been operated up to this point, which has been to really help move products off the American farm.

That is my general reaction. I would be glad to give you specific reactions to some of the points they made if you so wish.

Mr. Durbin. Mr. Schroeter.

Mr. Schroeter. Mr. Chairman, I wonder if I could respond to a point you made about McDonald's and the fast food outlets. I guess it is a point of argument here, because it seems to me that one of the fastest growing enterprises in world trade is the fast food outlets. I do not see how from an agricultural exporting standpoint we can ignore them, and I think that is the kind of point of view we have taken from the standpoint of the MPP program.

If you look at McDonald's in Japan, for example, they might be buying Idaho french fries. There is no reason why they could not buy Idaho eggs. Is there any reason why we should not work with them to identify U.S. products, when they use them, if that helps expand our exports to Japan?

Mr. DURBIN. My concern is that you are dealing with a multibillion dollar corporation that would not have opened its first restaurant in Germany until it had a market plan and did extensive surveys as to what the consumers were going to buy there. You are not talking about a struggling firm that needs this subsidy from the federal government in order to sell Egg McMuffins.

Mr. SCHROETER. It is not a subsidy to McDonald's. The MPP is a program to promote an identifiable U.S. product through a U.S. private firm, in this case, McDonalds. If they are not going to buy U.S., they are going to buy Taiwanese potatoes, or Thailand potatoes or something else. But if we can give them some help in their promotional activities, and as a result of that they in turn will source U.S., then I think there is a gain that we have to factor into our thinking.

Mr. DURBIN. Nice try.

Mr. SCHROETER. Thank you, Mr. Chairman.

Mr. DURBIN. But you cannot convince me on that one.

Mr. PASTOR. Mr. Chairman, would you yield for one minute?

Mr. DURBIN. I would be happy to yield.

CRITERIA FOR DOMESTIC PROCESSING AND U.S. ORIGIN

Mr. PASTOR. Two factors to consider are the extent to which the product is processed in the U.S. and how much of the product is of U.S. origin. Take the example of the McMuffin. What was it, an Egg McMuffin?

Ms. DELAURO. Egg McMuffin.

Mr. PASTOR. Okay, whatever it was.

Mr. DURBIN. Do you not have those in Arizona?

Mr. PASTOR. We do not have those in Arizona yet, but we have them in Germany. We have them in Germany now. We have burro rancheros. That is what we have. [Laughter.]

Now, taking the McDonald example, how were those criteria applied to justify the subsidy?

Mr. MACKIE. Well, Mr. Pastor that particular activity that you are talking about would be a part of a larger program undertaken by the Poultry and Egg Export Council. We carried out over 2500 specific individual activities under this program last year.

But in specific response that particular activity would act as a negative in terms of gaining support under the program because the processing itself would have taken place outside of the United States, and the chances are that all of the product would have not been U.S. origin. So those would have been negative factors in terms of support for that type of activity.

Mr. PASTOR. But, what made it so positive that you said we are going to subsidize it?

Mr. MACKIE. It is a balance of how the activities in the proposals weigh against those criteria.

Mr. DURBIN. Reclaiming my time here, and I want to make it clear that your statement and Mr. Schroeter's statement will also be included in the record. But in order to clear the decks for your boss and our friend, the Secretary, let us proceed with the questions. I think it probably would be best at this point.

Mr. MACKIE. That is fine.

Mr. DURBIN. Did you want to say something else?

Mr. SCHROETER. Could I just add one thing——

Mr. DURBIN. Sure.

Mr. SCHROETER [continuing]. To what Mr. Mackie said in regard to your question about the GAO testimony?

Mr. DURBIN. Sure.

RAISIN PROMOTION IN JAPAN

Mr. SCHROETER. One of the things just struck my attention as GAO was testifying, concerning raisins in Japan, where we have 85 percent market share. What they failed to say, of course, that we have 85 percent market share in the face of subsidized competition from Greece, competition from Australia, South Africa, and so forth, and the fact that our share has increased and the market has increased. So those are additional factors that need to be considered when you talk about the programs that we run.

NORTH AMERICAN FREE TRADE AGREEMENT

Mr. DURBIN. What role does FAS play in relation to the North American Free Trade Agreement?

Mr. SCHROETER. FAS and the Office of the Under Secretary for International Affairs and Commodity Programs led the NAFTA agriculture negotiations reporting to the Chief U.S. Negotiator, Ambassador Jules Katz. In addition, FAS was responsible for providing both technical and policy-related advice to negotiating groups whose mandates covered issues of importance to USDA. FAS worked with other USDA offices, with USTR, other government agencies, the private sector and the Congress to formulate negotiating objectives to benefit U.S. agriculture. Since the negotiations began, FAS has devoted many staff hours to informing businesses, farmers and consumers about the progress and expected benefits of the NAFTA.

FAS' role in the NAFTA continues as we discuss side agreements—on labor, the environment and import surges—and certain technical issues of importance to agriculture, and as we continue to respond to inquiries from the public. Once the NAFTA goes into effect, FAS will be involved in implementing the provisions for agriculture.

Mr. DURBIN. What are the latest developments with respect to GATT?

Mr. SCHROETER. Following the November 20, 1992, bilateral understanding—the Blair House Accord—between the United States and the EC on a variety of outstanding agriculture issues, negotiations under the Uruguay Round resumed in Geneva. The United States and the EC presented the elements of the November 20 un-

derstanding, which entail changes in the GATT Director-General's Draft Final Act, for approval of the other contracting parties. Additionally, the United States and several other countries submitted additional proposals for changes in the Draft Final Act. A number of bilateral and multilateral meetings aimed at bringing the negotiations to a conclusion by the January 15 date proposed by former President Bush, UK Prime Minister Major, and EC President Delors were held in December and January, but a final agreement was not reached. On January 19, GATT Director-General Dunkel convened a meeting of the Uruguay Round Trade Negotiations Committee and suspended the multilateral talks for an indefinite period.

Mr. DURBIN. What upcoming meetings are currently scheduled and what is the agenda for those meetings?

Mr. SCHROETER. Currently there are no Uruguay Round meetings scheduled at the GATT in Geneva.

Mr. DURBIN. What role does FAS play in connection with the GATT negotiations?

Mr. SCHROETER. The Uruguay Round negotiations have been a major focus in FAS efforts to expand export opportunities for U.S. agricultural products. FAS provides overall coordination for USDA participation in the negotiations in support of the U.S. Trade Representative. This has involved active participation in all phases of the negotiations, including representation at negotiating sessions, preparation of briefing papers and negotiating positions and analyses of country positions.

Mr. DURBIN. The Agricultural Trade Act of 1978, as amended by section 1531 of the 1990 FACT Act, requires you to increase export promotion programs by $1 billion if GATT fails during fiscal years 1994 and 1995. What plans have you made with respect to implementing this provision of the law if GATT, in fact, fails?

Mr. SCHROETER. The Administration and the Department are analyzing how best to allocate the increase in export promotion program levels. The most likely avenues of allocating the increase would be through the Export Enhancement Program, the GSM export credit program, the Market Promotion Program, or a combination of these programs. We are not in a position to be more specific at this time. However, it is important to point out that the CCC budget estimates for both FY 1994 and 1995 include an allowance of $375 million for the costs of complying with the mandated increase in export program levels once a decision in made.

## FORMER SOVIET UNION

Mr. DURBIN. What is the current situation with regard to the suspension of credit guarantees to the former Soviet Union?

Mr. SCHROETER. The GSM program for Russia remains suspended due to missed payments. Prior to suspension, $525 million of the $800 million in coverage announced for Russia in fiscal year 1993 had been made operational, and $414 million of sales had been registered. As of February 18, Russia's defaults totaled over $330 million. As a result of these defaults and the lack of an agreement between Russia and Ukraine on responsibility of FSU debt, Ukraine is also technically in default and USDA has not made operational

any of the remaining $130 million of Ukraine's $200 million fiscal 1993 GSM–102 allocation. The Russians have told USDA that payment of arrears is likely only after a Paris Club rescheduling of all FSU debts. USDA is uncertain when a Paris Club rescheduling will be agreed to and implemented.

### FSU MARKET

Mr. DURBIN. How large a market is the former Soviet Union, by country, and what are the main commodities they are buying?

Mr. SCHROETER. In calendar 1992, U.S. agricultural exports to the 15 republics of the former Soviet Union—including the Baltics—totaled $2.2 billion. Major products exported included wheat, coarse grains, soybean meal, dairy products and soybean oil. The Russian Federation is the largest purchaser, followed by the Ukraine. Based on partial data, these two entities together accounted for 86 percent of sales. I qualify my statement with "partial" because in 1992 official U.S. trade statistics did not include information on the final republic destination of shipments for all transactions. This problem is expected to be resolved in 1993. For the record, I will provide a detailed table of the information you have requested.

[The information follows:]

U.S. AGRICULTURAL EXPORTS TO THE FORMER SOVIET UNION BY COUNTRY AND COMMODITY, JANUARY–DECEMBER 1992

[In millions of dollars]

| | Wheat | Coarse grains | Soybean meal | Dairy products | Soybean oil | Other | Total |
|---|---|---|---|---|---|---|---|
| Russian | 447.5 | 269.8 | 163.6 | 100.5 | 30.9 | 104.4 | 1116.7 |
| U.S.S.R.* | 326.8 | 194.4 | 120.8 | 1.9 | 25.3 | 78.9 | 748.1 |
| Ukraine | 31.1 | 119.8 | ... | 0.1 | ... | 13.3 | 164.3 |
| Uzbekistan | 42.0 | ... | ... | ... | ... | 6.6 | 48.6 |
| Estonia | 17.1 | 15.2 | ... | 0.0 | ... | 0.3 | 32.6 |
| Latvia | 8.0 | 5.6 | 5.2D0.0 | ... | 7.2 | 26.0 | |
| Lithuania | ... | 11.2 | 13.8 | 0.2 | ... | 0.1 | 25.3 |
| Byelarus | ... | 6.0 | 5.6 | 8.1 | ... | 1.2 | 20.9 |
| Armenia | 9.9 | ... | ... | 6.6 | 0.8 | 2.5 | 19.8 |
| Georgia | 11.7 | ... | ... | ... | ... | 2.4 | 14.1 |
| Kazakhstan | ... | ... | ... | ... | ... | 9.5 | 9.5 |
| Tajikistan | 8.2 | ... | ... | ... | ... | ... | 8.2 |
| Moldova | ... | 7.0 | ... | 0.0 | ... | 1.1 | 8.1 |
| Turkmenistan | ... | ... | ... | 0.0 | ... | ... | 0.0 |
| Azerbaijan | ... | ... | ... | ... | ... | ... | ... |
| Kyrgyzstan | ... | ... | ... | ... | ... | ... | ... |
| Total | 902.2 | 629.0 | 309.0 | 117.6 | 57.0 | 227.5 | 2242.3 |

* Transactions which were reported but was not possible to determine the final recipient republic.
0.0 Less than $50,000.
... None at all.

### PURCHASE OF VALUE ADDED PRODUCTS

Mr. DURBIN. To what extent are they purchasing value-added products?

Mr. SCHROETER. U.S. exports of high-value products—comparable in definition to value-added products—totaled $780 million in fiscal year 1992, representing 30 percent of total agricultural products to the former Soviet Union—FSU. Roughly 81 percent of these high

value exports were in four important products—soybean meal—$480 million, dairy products—$65 million, and soybean oil—$43 million, and poultry meat—$41 million. In fact, for fiscal year 1992, the FSU was the largest U.S. soybean meal market, the fourth largest dairy market, the sixth largest soybean oil market, and the sixth largest poultry meat market.

Mr. DURBIN. What percent of the U.S. sales to the former Soviet Union are commercial sales, and what percent are government-involved sales?

Mr. SCHROETER. Some 6 percent of the $2.6 billion in U.S. agricultural sales to the former Soviet Union, inclusive of the Baltic States, in fiscal year 1992 were carried out on a commercial sales basis with no government program involvement. Eighty-four percent involved programs such as GSM-102 or the Export Enhancement Programs, which are considered commerical transactions by USDA. The remaining 10 percent of U.S. exports was concessional aid, including commodities made available under P.L. 480, Section 416 and Food for Progress.

Mr. DURBIN. What is the total quantity of commodities sold to the former Soviet Union under the EEP program during calendar year 1992, and what was the value of the bonuses paid in connection with those sales? You might list those sales by country.

Mr. SCHROETER. I will provide that information for the record.

[The information follows:]

EXPORT ENHANCEMENT PROGRAM

[Awards for FSU for AGCY 1992 by Commodity]

| Commodity | Quantity | UOM | Bonus paid |
|---|---|---|---|
| Feed Grains | 399,500 | MT | $12,320,255.00 |
| Rice | 55,000 | MT | 4,007,200.00 |
| Vegetable Oil | 30,310 | MT | 1,822,080.00 |
| Wheat | 6,255,360 | MT | 200,615,020.55 |
| Total | 6,740,170 | | 218,764,555.55 |

Mr. DURBIN. What role has the General Sales Manager played during the past year with respect to the sale of U.S. commodities to the former Soviet Union?

Mr. SCHROETER. Up until December of 1992, the GSM-102 program was the primary vehicle for sales of U.S. commodities to the FSU. As a result, since the beginning of fiscal year 1992 the General Sales Manager, through the GSM-102 program, has been directly involved with the sale of over $3 billion in U.S. agricultural commodities—$2.55 billion in fiscal year 1992 and $484 million in fiscal 1993. The General Sales Manager has also served as the principal negotiator in obtaining signed protocol agreements and Credit Guarantee Assurance—CGA—documents from Russia and Ukraine.

PEOPLE'S REPUBLIC OF CHINA

Mr. DURBIN. What have been our sales to the People's Republic of China during calendar year 1992, and what is the outlook for

1993? You might discuss that both in terms of commerical sales and government-involved sales.

Mr. SCHROETER. During calendar year 1992, the U.S. sold $544 million worth of agricultural products to the People's Republic of China. However, because the Department only forecasts country-specific exports on a fiscal year basis, I will use the 1992 and 1993 fiscal year figures for comparison. In fiscal year 1992, U.S. exports of agricultural products to the People's Republic of China rebounded slightly, reaching $690 million. However, the outlook for fiscal year 1993 is down more than 40 percent to $400 million due to substantial declines in our exports of two principal bulk commodities, wheat and cotton.

All of the sales were commercial transactions, and of the total 25 percent involved the Export Enhancement Program. China is not a recipient of any GSM credit guarantees.

Mr. DURBIN. Were any EEP sales made to China during calendar year 1992 and what bonuses were paid on those sales?

Mr. SCHROETER. I will supply that information for the record.

[The information follows:]

EXPORT ENHANCEMENT PROGRAM

[Awards for PRC for AGCY 1992 by Commodity]

| Commodity | Quantity | UOM | Bonus paid |
|---|---|---|---|
| Wheat | 1,998,075 | MT | $79,930,716.25 |
| Total | 1,998,075 | | 79,930,716.25 |

## EXPORT ENHANCEMENT PROGRAM

Mr. DURBIN. Please provide for the record a table showing the total value of bonuses paid by exporter under the Export Enhancement Program since the inception of the program.

Mr. SCHROETER. The table will be provided for the record.

[The information follows:]

25-Feb-1993 EXPORTER AWARDS DATE RANGE 850501-930224 1

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| A. Luberski Inc. DBA Hidden Villa R | Eggs | 2,815,850.00 | Dozen | $617,863.14 |
| ADM Milling Co. | Semolina | 44,999.55 | Metric Tons | $10,553,971.35 |
| | Wheat Flour | 690,320.45 | Metric Tons | $62,066,172.35 |
| | | | | $72,620,143.70 |
| AGP, L.P. | Wheat | 79,240.00 | Metric Tons | $2,182,507.60 |
| AJC International, Inc. | Frozen Poultry | 12.24 | Metric tons | $4,050.00 |
| Alfred C. Toepfer International, In | Barley | 1,022,999.97 | Metric Tons | $33,644,814.24 |
| | Wheat | 1,868,529.47 | Metric Tons | $58,432,325.05 |
| | | | | $92,077,139.29 |
| Alliance Grain, Inc. | Barley | 25,000.00 | Metric Tons | $949,000.00 |
| | Wheat | 609,623.11 | Metric Tons | $16,468,891.14 |
| | | | | $17,417,891.14 |
| Amber, Inc. | Vegetable Oil | 221,979.36 | Metric Tons | $18,560,731.82 |
| American Marketing Services, Inc. | Dairy Cattle | 13,865.00 | Head | $17,794,865.00 |
| American Poultry Int'l., Ltd. | Frozen Poultry | 4,244.89 | Metric tons | $2,025,127.70 |
| Archer Daniels Midland Company | Vegetable Oil | 65,393.00 | Metric Tons | $5,722,023.27 |
| Artfer Incorporated | Wheat | 3,927,886.75 | Metric Tons | $140,736,584.38 |
| Balfour MacLaine Int'l., Ltd. | Rice | 81,949.14 | Metric Tons | $8,148,363.37 |
| Bartlett and Company | Wheat | 372,991.26 | Metric Tons | $8,306,456.00 |
| | Wheat Flour | 166,998.31 | Metric Tons | $12,233,107.15 |
| | | | | $20,539,563.15 |
| Boro Hall International Limited | Eggs | 47,000.00 | Dozen | $9,400.00 |
| Brown Swiss Enterprises, Inc. | Dairy Cattle | 675.00 | Head | $1,019,820.00 |
| Bunge Corporation | Vegetable Oil | 119,517.63 | Metric Tons | $9,345,820.88 |
| | Wheat | 5,967,758.23 | Metric Tons | $172,377,025.16 |
| | | | | $181,722,846.04 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| CAM USA, Inc. | Barley | 569,767.31 | Metric Tons | $19,378,802.64 |
| | Rice | 10,000.00 | Metric Tons | $674,700.00 |
| | Vegetable Oil | 111,000.00 | Metric Tons | $8,520,510.00 |
| | Wheat | 3,877,644.98 | Metric Tons | $139,655,390.56 |
| | | | | $168,229,403.20 |
| CTC North America, Inc. | Frozen Poultry | 3,416.42 | Metric tons | $1,677,371.80 |
| | Vegetable Oil | 3,000.00 | Metric Tons | $138,000.00 |
| | | | | $1,815,371.80 |
| Cafcrown Limited | Rice | 9,999.90 | Metric Tons | $115,984.01 |
| Carey Agri-International, Inc. | Dairy Cattle | 6,028.00 | Head | $13,625,850.00 |
| Cargill Inc. | Barley | 2,009,036.37 | Metric Tons | $68,840,850.63 |
| | Eggs | 636,500.00 | Dozen | $44,815.00 |
| | Frozen Poultry | 5,739.86 | Metric tons | $3,547,126.44 |
| | Sorghum | 68,003.15 | Metric Tons | $1,535,127.55 |
| | Vegetable Oil | 243,497.23 | Metric Tons | $25,658,662.30 |
| | Wheat | 24,265,779.08 | Metric Tons | $799,691,242.74 |
| | Wheat Flour | 764,833.55 | Metric Tons | $62,087,210.63 |
| | | | | $961,405,035.29 |
| Cargill Rice, Inc. | Rice | 15,000.00 | Metric Tons | $687,750.00 |
| Central States Enterprises, Inc. | Wheat | 695,032.34 | Metric Tons | $15,936,869.47 |
| Cereal Food Processors | Wheat Flour | 24,999.74 | Metric Tons | $1,984,140.00 |
| Chilewich Partners | Vegetable Oil | 14,310.00 | Metric Tons | $793,520.00 |
| Columbia Grain International, Inc. | Wheat | 486,800.56 | Metric Tons | $21,116,851.33 |
| Comet Rice, Inc. | Rice | 84,000.00 | Metric Tons | $3,829,000.00 |
| ConAgra International Fertilizer Co | Frozen Poultry | 17,001.02 | Metric tons | $9,940,513.00 |
| ConAgra Poultry Company | Frozen Poultry | 40,238.87 | Metric tons | $29,109,325.75 |
| Conagra International, Inc. | Frozen Poultry | 2,209.00 | Metric tons | $1,060,989.42 |
| Connell Rice and Sugar Co. | Rice | 13,757.50 | Metric Tons | $512,843.75 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| Continental Grain Co. | Barley | 1,244,804.17 | Metric Tons | $38,882,301.16 |
| | Rice | 168,100.25 | Metric Tons | $11,701,988.90 |
| | Sorghum | 92,001.39 | Metric Tons | $2,072,927.67 |
| | Vegetable Oil | 216,499.32 | Metric Tons | $20,176,403.40 |
| | Wheat | 24,429,783.63 | Metric Tons | $760,519,205.53 |
| | Wheat Flour | 194,998.49 | Metric Tons | $16,137,124.28 |
| | | | | $849,489,950.94 |
| Coprostates, Inc. | Barley | 148,604.63 | Metric Tons | $3,567,010.74 |
| | Vegetable Oil | 63,999.34 | Metric Tons | $9,020,782.28 |
| | Wheat | 654,026.88 | Metric Tons | $22,502,757.17 |
| | | | | $35,090,550.19 |
| DSH Livestock International, Inc. | Dairy Cattle | 370.00 | Head | $370,000.00 |
| Decoster Egg Farms | Eggs | 26,661,435.00 | Dozen | $6,947,449.63 |
| Dekker North America, Inc. | Dairy Cattle | 400.00 | Head | $436,000.00 |
| Dolphin Shipping and Trading, Inc. | Eggs | 17,391,788.00 | Dozen | $3,806,077.28 |
| Elders Grain, Inc. | Sorghum | 60,002.78 | Metric Tons | $206,699.53 |
| | Wheat | 37,251.69 | Metric Tons | $1,400,661.20 |
| | | | | $1,607,360.73 |
| Entrade International, Ltd. | Barley | 174,997.69 | Metric Tons | $8,290,345.25 |
| | Wheat | 937,043.42 | Metric Tons | $25,764,443.24 |
| | | | | $34,054,788.49 |
| Esmah Nevada, Inc. | Dairy Cattle | 15,625.00 | Head | $21,662,350.00 |
| Euro-Maghrib, Inc. | Wheat | 215,010.17 | Metric Tons | $4,708,562.34 |
| Exodus Holsteins | Dairy Cattle | 784.00 | Head | $1,275,720.00 |
| Fast Food Merchandisers, Inc. | Frozen Poultry | 23,278.00 | Metric tons | $13,410,984.25 |
| Ferruzzi Trading U.S.A., Inc. | Barley | 99,979.08 | Metric Tons | $1,499,747.20 |
| | Wheat | 6,769,107.68 | Metric Tons | $240,807,698.22 |
| | | | | $242,307,445.42 |
| First Interstate Trading Co. | Dairy Cattle | 271.00 | Head | $461,679.16 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| Fleischmann-Kurth Malting Co. | Barley Malt | 15,949.97 | Metric Tons | $1,389,098.12 |
| Forum Import-Export Corporation | Vegetable Oil | 6,000.00 | Metric Tons | $502,080.00 |
| | Wheat | 20,000.92 | Metric Tons | $709,921.26 |
| | | | | $1,212,001.26 |
| Froedtert Malt Corporation | Barley Malt | 138,638.77 | Metric Tons | $11,904,020.96 |
| Garnac Grain Co., Inc. | Barley | 495,320.06 | Metric Tons | $16,627,806.59 |
| | Sorghum | 39,001.44 | Metric Tons | $298,460.89 |
| | Vegetable Oil | 42,000.00 | Metric Tons | $3,390,470.00 |
| | Wheat | 3,724,841.99 | Metric Tons | $114,105,295.41 |
| | | | | $134,422,032.89 |
| Global Rice Corporation Ltd. | Rice | 19,500.00 | Metric Tons | $976,425.00 |
| Gold Kist, Inc. | Eggs | 8,493,070.00 | Dozen | $3,219,154.26 |
| | Frozen Poultry | 66,795.16 | Metric tons | $43,713,040.75 |
| | | | | $46,932,195.01 |
| Goldberg Commodities, Inc. | Vegetable Oil | 7,000.00 | Metric Tons | $277,550.00 |
| Golden Genes, Inc. | Dairy Cattle | 835.00 | Head | $1,014,284.00 |
| Granplex, Inc. | Wheat | 489,009.84 | Metric Tons | $10,962,187.87 |
| Great Western Malting Co. | Barley Malt | 83,992.72 | Metric Tons | $8,773,311.08 |
| Gress Foods, Inc. | Frozen Poultry | 10,448.60 | Metric tons | $3,922,523.54 |
| Gulf Pacific Rice Company, Inc. | Rice | 17,949.91 | Metric Tons | $1,713,198.51 |
| Hans Olsen Egg Co., Inc. | Eggs | 26,400.00 | Dozen | $3,986.40 |
| Harvest States Cooperatives | Barley | 170,908.58 | Metric Tons | $6,254,890.76 |
| | Wheat | 1,648,783.35 | Metric Tons | $63,809,337.56 |
| | | | | $70,064,228.32 |
| Hefler and Company | Eggs | 3,597,120.00 | Dozen | $843,214.20 |
| Holstein-Fresian Services, Inc. | Dairy Cattle | 4,080.00 | Head | $5,612,170.00 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| ITOCHU International Inc. | Wheat | 938,993.95 | Metric Tons | $22,401,799.25 |
| Incotrade, Inc. | Rice | 4,999.95 | Metric Tons | $439,817.70 |
| International Multifoods Corporatio | Dairy Cattle | 7,000.00 | Head | $5,725,000.00 |
| | Eggs | 54,000.00 | Dozen | $11,205.00 |
| | Frozen Poultry | 170.00 | Metric tons | $90,536.55 |
| | Semoline | 7,999.92 | Metric Tons | $1,817,031.32 |
| | Wheat | 37,000.77 | Metric Tons | $772,349.98 |
| | Wheat Flour | 164,289.90 | Metric Tons | $12,960,731.65 |
| | | | | $21,376,854.50 |
| Interstate Grain Corporation | Wheat | 33,124.65 | Metric Tons | $1,199,137.10 |
| Italgrani USA, Inc. | Wheat | 120,005.47 | Metric Tons | $4,391,991.65 |
| J. Aron and Company | Wheat | 2,600,820.16 | Metric Tons | $85,903,454.29 |
| Kanematsu USA Inc. | Wheat | 25,000.20 | Metric Tons | $436,335.00 |
| Ladish Malting Company | Barley Malt | 3,000.00 | Metric Tons | $132,000.00 |
| Lamex Foods, Inc. | Frozen Poultry | 46.00 | Metric tons | $24,380.00 |
| Land O' Lakes, Inc. | Dairy Cattle | 15,500.00 | Head | $18,380,000.00 |
| Louis Dreyfus Corporation | Barley | 3,548,113.20 | Metric Tons | $114,554,666.45 |
| | Frozen Poultry | 15,639.43 | Metric tons | $10,421,240.27 |
| | Rice | 38,499.96 | Metric Tons | $2,480,645.21 |
| | Vegetable Oil | 112,999.12 | Metric Tons | $11,324,184.72 |
| | Wheat | 19,800,362.55 | Metric Tons | $639,071,150.85 |
| | | | | $777,851,887.50 |
| Luzze Int'l. Livestock Corp. | Dairy Cattle | 2,500.00 | Head | $3,645,000.00 |
| M. G. Waldbaum Co. | Eggs | 45,000.00 | Dozen | $2,250.00 |
| Marshall Durbin Farms, Inc. | Frozen Poultry | 36.00 | Metric tons | $16,758.72 |
| Marubeni America Corporation | Wheat | 903,004.84 | Metric Tons | $23,371,903.84 |
| McCall Sanders Marketing | Eggs | 769,500.00 | Dozen | $83,642.70 |
| Midwest Livestock Producers | Dairy Cattle | 80.00 | Head | $125,520.00 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| Minnesota Malting Co. | Barley Malt | 5,637.53 | Metric Tons | $483,525.15 |
| Mitsubishi International | Wheat | 2,749,583.08 | Metric Tons | $79,725,199.46 |
| Mitsui & Co. (U.S.A.), Inc. | Wheat | 250,200.00 | Metric Tons | $7,062,654.00 |
| Mitsui Grain Corporation | Wheat | 1,087,775.50 | Metric Tons | $30,609,954.24 |
| National Food Corporation | Eggs | 34,629,889.00 | Dozen | $7,470,693.75 |
| National Sun Industries, Inc. | Wheat | 10,000.00 | Metric Tons | $393,500.00 |
| Nichimen America, Inc. | Wheat | 610,926.38 | Metric Tons | $21,504,939.83 |
| Nissho Iwai American Corp. | Wheat | 667,994.72 | Metric Tons | $14,323,647.05 |
| North American Trading Corporation | Eggs | 102,000.00 | Dozen | $24,378.00 |
| | Frozen Poultry | 20,550.31 | Metric tons | $11,736,453.07 |
| | | | | $11,760,831.07 |
| OleoStates, Inc. | Vegetable Oil | 39,500.00 | Metric Tons | $3,078,925.00 |
| P.S. International | Frozen Poultry | 36.73 | Metric tons | $17,820.00 |
| | Wheat | 25,000.00 | Metric Tons | $712,500.00 |
| | | | | $730,320.00 |
| Peavey Company | Barley | 202,498.16 | Metric Tons | $7,483,816.80 |
| | Barley Malt | 68,057.08 | Metric Tons | $6,554,720.65 |
| | Eggs | 8,044,682.00 | Dozen | $3,384,862.94 |
| | Wheat | 4,942,368.06 | Metric Tons | $164,375,338.73 |
| | Wheat Flour | 410,073.24 | Metric Tons | $32,307,891.07 |
| | | | | $214,106,630.19 |
| Philipp Brothers, Inc. | Vegetable Oil | 25,499.74 | Metric Tons | $3,161,561.75 |
| Pilgrim's Pride Corporation | Frozen Poultry | 20.00 | Metric tons | $10,380.00 |
| Pillsbury Company, The | Frozen Poultry | 4,999.95 | Metric tons | $3,134,941.20 |
| | Mixed Poultry Feed | 188,968.00 | Metric Tons | $16,619,620.00 |
| | Rice | 154,499.53 | Metric Tons | $7,149,948.92 |
| | Wheat | 403,996.82 | Metric Tons | $9,670,724.80 |
| | Wheat Flour | 1,361,378.17 | Metric Tons | $122,857,896.91 |
| | | | | $159,433,131.83 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| Premium Rice Trading, Inc. | Rice | 39,250.00 | Metric Tons | $2,436,575.00 |
| Protimex Corporation | Frozen Poultry | 6,847.61 | Metric tons | $4,112,855.57 |
| Quaker Run Farms, Inc. | Eggs | 1,301,100.00 | Dozen | $268,308.00 |
| Rahr Malting Company | Barley Malt | 16,599.98 | Metric Tons | $1,592,485.10 |
| Red Rock Commodities, Ltd. | Barley | 124,000.00 | Metric Tons | $5,390,600.00 |
| Riceland Foods, Inc. | Rice | 7,268.99 | Metric Tons | $684,931.00 |
| Richco Grain, Ltd. | Barley | 1,673,571.88 | Metric Tons | $65,056,152.52 |
| | Wheat | 1,117,051.56 | Metric Tons | $30,008,748.59 |
| | | | | $95,064,901.11 |
| Romer International Georgia, Inc. | Frozen Poultry | 2,346.98 | Metric tons | $1,188,747.26 |
| Rosacepe Food Industries | Frozen Poultry | 1,289.00 | Metric tons | $618,253.00 |
| Seaboard Trading & Shipping Ltd. | Wheat | 48,900.00 | Metric Tons | $1,757,173.00 |
| Sunrice, Inc. | Rice | 44,499.55 | Metric Tons | $4,744,960.58 |
| T.K. International, Inc. | Dairy Cattle | 1,577.00 | Head | $1,490,325.00 |
| The Supreme Rice Mills, Inc. | Rice | 40,800.00 | Metric Tons | $4,935,874.00 |
| Toshoku America, Inc. | Wheat | 130,000.00 | Metric Tons | $3,452,150.00 |
| Tradecom, Inc. | Vegetable Oil | 63,499.57 | Metric Tons | $9,642,404.31 |
| | Wheat | 150,006.90 | Metric Tons | $3,254,944.28 |
| | | | | $12,897,348.59 |
| Tradigrain, Inc. | Barley | 344,879.17 | Metric Tons | $13,019,876.31 |
| | Wheat | 2,257,175.06 | Metric Tons | $71,444,183.31 |
| | Wheat Flour | 46,999.53 | Metric Tons | $3,255,001.51 |
| | | | | $87,719,061.13 |
| Tri Valley Growers | Canned Peaches | 1,657.70 | Metric Tons | $234,887.50 |
| Tyson Foods, Inc. | Frozen Poultry | 371.00 | Metric tons | $170,625.00 |

| EXPORTER | COMMODITY | QUANTITY | UNIT OF MEASURE | BONUS AWARDED BASED ON THE MEAN QUANTITY |
|---|---|---|---|---|
| U.S. Gulf Coast Trading Company | Eggs | 67,500.00 | Dozen | $17,280.00 |
| | Frozen Poultry | 100.00 | Metric tons | $44,900.00 |
| | | | | $62,180.00 |
| USAgri Corp. | Wheat | 180,000.00 | Metric Tons | $6,483,300.00 |
| Union Equity Div. of Farmland Ind., | Sorghum | 60,002.78 | Metric Tons | $1,411,200.00 |
| | Wheat | 4,200,584.78 | Metric Tons | $152,949,922.95 |
| | | | | $154,361,122.95 |
| United Grain Corporation | Wheat | 75,500.00 | Metric Tons | $2,461,035.00 |
| United States Egg Marketers | Eggs | 72,000.00 | Dozen | $15,120.00 |
| Voest-Alpine Trading USA Corp. | Barley | 341,502.37 | Metric Tons | $13,401,427.10 |
| | Wheat | 666,966.14 | Metric Tons | $22,205,750.16 |
| | | | | $35,607,177.26 |
| Western Export Services, Inc. | Eggs | 45,000.00 | Dozen | $8,775.00 |
| Wisconsin Holstein Service, Inc. | Dairy Cattle | 185.00 | Head | $185,000.00 |
| Woodhouse Corporation, The | Wheat | 174,763.86 | Metric Tons | $7,536,053.13 |
| Woodhouse Drake and Carey (Trading) | Rice | 9,999.90 | Metric Tons | $110,230.00 |
| | Wheat | 50,002.30 | Metric Tons | $1,166,666.45 |
| | | | | $1,276,896.45 |
| World Links, Incorporated | Eggs | 912,000.00 | Dozen | $85,830.00 |
| GRAND TOTAL | | | | $5,277,494,888.41 |

Mr. DURBIN. Last year, you testified that in paying the bonuses on these sales, you pay no attention to whether the exporter is a foreign-owned company or a U.S. company. Has any change in policy occurred since you testified before the Committee at this time last year.

Mr. SCHROETER. We have not made any change in policy relative to this issue. The basic purpose of EEP remains the export of U.S. agricultural commodities to targeted countries in the most cost-effective manner possible. Participation by foreign-owned companies serves this objective by increasing the amount of competition between exporters.

### BONUSES BY COUNTRY

Mr. DURBIN. Please provide for the record a table which shows the total bonuses, by country, for calendar year 1992.

[The information follows:]

EXPORT ENHANCEMENT PROGRAM
Awards for Calendar Year 1992 by Country

| COUNTRY | CY | BONUS PAID |
|---|---|---|
| Algeria | 1992 | $85,094,971.50 |
| Bangladesh | 1992 | $14,741,843.70 |
| Brazil | 1992 | $4,773,657.03 |
| Caribbean Countries | 1992 | $1,626,000.00 |
| Central American Cou | 1992 | $530,000.00 |
| China | 1992 | $79,930,716.25 |
| Cyprus | 1992 | $4,551,205.00 |
| East European Countr | 1992 | $6,239,959.00 |
| Egypt | 1992 | $151,499,600.00 |
| Gulf Countries | 1992 | $2,871,654.27 |
| Hong Kong | 1992 | $5,795,090.23 |
| India | 1992 | $32,868,976.00 |
| Israel | 1992 | $8,253,453.60 |
| Japan | 1992 | $209,679.45 |
| Jordan | 1992 | $14,928,792.50 |
| Kuwait | 1992 | $917,000.00 |
| Lebanon | 1992 | $1,823,619.00 |
| Malta | 1992 | $1,403,040.00 |
| Mexico | 1992 | $1,780,241.28 |
| Morocco | 1992 | $49,650,620.25 |
| Near East Countries | 1992 | $3,233,394.92 |
| Norway | 1992 | $5,021,167.50 |
| Pakistan | 1992 | $27,346,146.40 |
| Poland | 1992 | $3,477,000.00 |
| Saudi Arabia | 1992 | $20,045,780.00 |
| Singapore | 1992 | $897,950.00 |
| South Africa | 1992 | $11,914,998.80 |
| Sri Lanka | 1992 | $15,224,207.50 |
| Sub-Saharan Afr. Cou | 1992 | $3,912,908.42 |
| Sub-Saharan Africa | 1992 | $34,267,848.02 |
| The Dominican Republ | 1992 | $277,550.00 |
| The Philippines | 1992 | $35,173,054.60 |
| The Republic of Yeme | 1992 | $40,229,819.60 |
| The former Soviet Un | 1992 | $218,764,555.55 |
| Trinidad and Tobago | 1992 | $3,200,138.00 |
| Tunisia | 1992 | $12,397,412.50 |
| Turkey | 1992 | $13,462,493.20 |
| Venezuela | 1992 | $13,008,795.00 |
| Total: | $931,345,339.06 | |

### EXPORT ENHANCEMENT PROGRAM CHANGES

Mr. DURBIN. Would you please describe for the Committee any changes you have made in the EEP since you appeared before the Committee last year?

Mr. SCHROETER. Several changes have been made in the operation of the EEP in fiscal year 1992 to reduce the administrative burden and cost to exporters participating in the program while still protecting program integrity. First of all, the rate of liquidated damages was changed from 55 percent of the bonus value to 10 percent of the sales price. Second, a grace period mechanism was established that allows shipment to occur within a grace period and eliminates the need for exporters to seek Agreement amendments. Third, the performance security requirement for payment of the CCC bonus on presentation of export documentation was reduced. In addition, to facilitate barter trade with the former Soviet Union, sales to third-country buyers for commodities destined to the former Soviet Union are now authorized under the EEP.

To speed the process to review and renew initiatives so that a more certain and stable marketing environment can be provided for U.S. producers, exporters, and foreign importers, USDA began announcing EEP initiatives in multi-country packages in fiscal year 1992.

### EXPORT INCENTIVE PROGRAM

Mr. DURBIN. Please provide for the record a list of the private companies with which you had contractual relations for the promotion of brand name food items during calendar year 1992.

[The information follows:]

Agripac, Inc.
Del Monte Corporation
Dole Fresh Fruit Company
Escalon Packers, Inc.
Hansa-Pacific
Hughson Nut Marketing, Inc.
Interfrost, Inc.
LoBue Brothers
Northwest Packing Co./San Benito Foods
The Pillsbury Company
S&W Fine Foods, Inc.
Sun World, Inc.
Tri Valley Growers
Blue Diamond Growers
The DiMare Company
Dole Dried Fruit and Nut Co.
Fleming Companies, Inc.
Horizon Marketing
Hunt-Wesson Inc.
International American Supermarkets Corp.
Norpac Foods, Inc.
Ocean Spray Cranberries, Inc.
Sequoia Enterprises, Inc.
Sunkist Growers, Inc.
Triad Group
Welch's

### DIFFERENCE BETWEEN EIP AND MPP

Mr. DURBIN. Please describe for the record the difference between the Export Incentive Program and the Market Promotion Program.

Mr. SCHROETER. I will provide for the record a comparison of the Export Incentive Program—EIP—and the Market Promotion Program—MPP. The Interim Rule for MPP, signed May 15, 1991, and published in the Federal Register on August 16, 1991, provides insight on this issue.

[The information follows:]

Section 203 of the Agricultural Trade Act of 1978, as amended, directs the Commodity Credit Corporation—CCC—to carry out a program to encourage the develop-

ment, maintenance and expansion of commercial export markets for agricultural commodities through cost-share assistance to eligible trade organizations. This program is designated the Market Promotion Program. As authorized by Congress, the CCC implements the MPP through two basic types of agreements: MPP Agreements and EIP/MPP Agreements.

An EIP/MPP agreement is established when CCC determines that such an agreement would contribute to the development, expansion, or maintenance of U.S. agricultural exports; there is sufficient industry need for a brand promotion program; and there is no other U.S. agricultural trade organization or State-related organization capable of or interested in undertaking the brand promotion. CCC enters into EIP/MPP agreements only with U.S. commercial entities which either own the brand(s) of the products(s) to be promoted or have sole agency agreements for such brand(s).

In contrast, MPP agreements, which are entered into with trade promotion associations and State regional groups, are not limited in the scope of agricultural products promoted and, therefore, promotions may be conducted on a generic- or brand-identified basis. Generally, the brand promotions are undertaken by private firms which have entered agreements with the agricultural trade organizations or State regional organizations. Historically, two-thirds of MPP funds have been used to promote agricultural commodities and products of a generic basis.

## GSM–102 AND –103

Mr. Durbin. Please provide for the record a table showing a list of the countries that received GSM–102 guarantees during calendar year 1992, including what commodities were sold.

Mr. Schroeter. We will be happy to provide that information. Since the program is operated on a fiscal year basis I believe it would be most helpful to provide the data on a fiscal year basis.

[The information follows:]

STATUS REPORT ON CCC'S COMMERCIAL EXPORT CREDIT PROGRAMS FY 1992
ANNOUNCED AND REGISTERED AMOUNTS WITH A BALANCE TO BE USED (FINAL)

Date Printed: 03/31/93

(MILLION DOLLARS)

| | | GSM – 102 | | |
|---|---|---|---|---|
| COUNTRY | COMMODITY | ANNOUNCED | REGISTERED | BALANCE |
| Algeria | Cotton | 1.90 | 1.90 | -- |
| Algeria | Dairy Products | 97.00 | 97.00 | -- |
| Algeria | Feed Grains | 99.20 | 98.40 | 0.80 |
| Algeria | Planting Seeds | 16.00 | 16.00 | -- |
| Algeria | Protein Meals | 55.30 | 53.50 | 1.80 |
| Algeria | Pulses | 11.30 | 11.30 | -- |
| Algeria | Rice | 8.70 | 8.70 | -- |
| Algeria | Tallow | 14.65 | 13.90 | 0.75 |
| Algeria | Veg. Oil | 82.25 | 80.22 | 2.03 |
| Algeria | Wheat | 142.30 | 141.00 | 1.30 |
| Algeria | Wood Products | 17.50 | 17.50 | -- |
| Algeria | Wood Pulp | 13.90 | 13.90 | -- |
| Algeria | SUB-TOTAL | 560.00 | 553.32 | 6.68 |
| Angola | Meat, Frozen Poultry | 4.60 | 4.40 | 0.20 |
| Angola | Tallow | 0.50 | -- | 0.50 |
| Angola | Wheat | 2.30 | -- | 2.30 |
| Angola | Wheat Flour | 2.60 | -- | 2.60 |
| Angola | SUB-TOTAL | 10.00 | 4.40 | 5.60 |
| Botswana | Wheat | 5.00 | -- | 5.00 |
| Botswana | SUB-TOTAL | 5.00 | -- | 5.00 |
| Chile | Cotton | 2.00 | -- | 2.00 |
| Chile | Wheat | 3.00 | -- | 3.00 |
| Chile | SUB-TOTAL | 5.00 | -- | 5.00 |
| Colombia | Cotton | 18.70 | 5.60 | 13.10 |
| Colombia | Feed Grains | 5.50 | 0.60 | 4.90 |
| Colombia | Fruits, Fresh | 1.00 | -- | 1.00 |
| Colombia | Milk, Non-fat Dry | 1.00 | -- | 1.00 |
| Colombia | Oilseeds | 2.00 | 1.60 | 0.40 |
| Colombia | Poultry Breeder Stock | 0.20 | -- | 0.20 |
| Colombia | Pulses | 1.00 | -- | 1.00 |
| Colombia | Rice | 3.00 | 3.00 | -- |
| Colombia | Tallow/Greases | 6.00 | 3.20 | 2.80 |
| Colombia | Undesignated | 1.10 | -- | 1.10 |
| Colombia | Veg. Oil | 0.50 | -- | 0.50 |
| Colombia | Wheat | 20.00 | -- | 20.00 |
| Colombia | SUB-TOTAL | 60.00 | 14.00 | 46.00 |
| Czechoslovakia | Oilseeds | 0.50 | -- | 0.50 |
| Czechoslovakia | Protein Meals | 5.00 | -- | 5.00 |
| Czechoslovakia | Pulses | 1.00 | -- | 1.00 |
| Czechoslovakia | Rice | 5.50 | 2.00 | 3.50 |
| Czechoslovakia | Unallocated | 8.00 | -- | 8.00 |
| Czechoslovakia | SUB-TOTAL | 20.00 | 2.00 | 18.00 |
| Ecuador | Animal Milk Replacer | 0.50 | -- | 0.50 |
| Ecuador | Cotton | 1.00 | 0.60 | 0.40 |
| Ecuador | Breeder Livestock | 1.00 | -- | 1.00 |

STATUS REPORT ON CCC'S COMMERCIAL EXPORT CREDIT PROGRAMS FY 1992
ANNOUNCED AND REGISTERED AMOUNTS WITH A BALANCE TO BE USED (FINAL)

Date Printed: 03/31/93

(MILLION DOLLARS)

| | | GSM-102 | | |
|---|---|---|---|---|
| COUNTRY | COMMODITY | ANNOUNCED | REGISTERED | BALANCE |
| Ecuador | Milk, Non-fat Dry | 1.00 | 0.50 | 0.50 |
| Ecuador | Oilseeds | 1.00 | -- | 1.00 |
| Ecuador | Planting Seeds | 0.50 | -- | 0.50 |
| Ecuador | Protein Meals | 1.00 | -- | 1.00 |
| Ecuador | Pulses | 1.00 | -- | 1.00 |
| Ecuador | Tallow/Greases | 7.00 | 0.10 | 6.90 |
| Ecuador | Veg. Oil | 5.00 | -- | 5.00 |
| Ecuador | Wheat | 17.00 | -- | 17.00 |
| Ecuador | Wood Products | 1.00 | -- | 1.00 |
| Ecuador | SUB-TOTAL | 37.00 | 1.20 | 35.80 |
| Egypt | Feed Grains | 20.00 | 14.10 | 5.90 |
| Egypt | Wheat Flour | 20.00 | 7.80 | 12.20 |
| 1/ Egypt | SUB-TOTAL | 40.00 | 21.90 | 18.10 |
| El Salvador | Poultry Breeder Stock | 1.00 | -- | 1.00 |
| El Salvador | Protein Meals | 5.00 | -- | 5.00 |
| El Salvador | Tallow/Greases | 9.00 | 0.70 | 8.30 |
| El Salvador | Veg. Oil | 5.00 | -- | 5.00 |
| El Salvador | SUB-TOTAL | 20.00 | 0.70 | 19.30 |
| Ghana | Feed Grains | 2.50 | 1.40 | 1.10 |
| Ghana | Protein Meals | 0.50 | 0.30 | 0.20 |
| Ghana | Rice | 2.30 | 1.30 | 1.00 |
| Ghana | Tallow/Greases | 1.00 | -- | 1.00 |
| Ghana | Undesignated | 0.20 | -- | 0.20 |
| Ghana | Veg. Oil | 1.00 | 0.60 | 0.40 |
| Ghana | SUB-TOTAL | 7.50 | 3.60 | 3.90 |
| Grenada | Feed Grains | 0.50 | -- | 0.50 |
| Grenada | Breeder Livestock | 0.30 | 0.20 | 0.10 |
| Grenada | Meat, Frozen and/or Chilled | 0.30 | -- | 0.30 |
| Grenada | Protein Meals | 0.20 | -- | 0.20 |
| 1/ Grenada | SUB-TOTAL | 1.30 | 0.20 | 1.10 |
| Guatemala | Feed Grains | 7.00 | -- | 7.00 |
| Guatemala | Poultry Breeder Stock | 1.00 | -- | 1.00 |
| Guatemala | Protein Meals | 5.00 | -- | 5.00 |
| Guatemala | Rice | 1.00 | -- | 1.00 |
| Guatemala | Tallow/Greases | 8.00 | 2.40 | 5.60 |
| Guatemala | Wheat/Wheat Flour | 8.00 | 0.90 | 7.10 |
| Guatemala | SUB-TOTAL | 30.00 | 3.30 | 26.70 |
| Hungary | Cotton | 10.00 | 2.60 | 7.40 |
| Hungary | SUB-TOTAL | 10.00 | 2.60 | 7.40 |
| Indonesia | Soybeans | 15.00 | 14.60 | 0.40 |
| Indonesia | SUB-TOTAL | 15.00 | 14.60 | 0.40 |

STATUS REPORT ON CCC'S COMMERCIAL EXPORT CREDIT PROGRAMS FY 1992
ANNOUNCED AND REGISTERED AMOUNTS WITH A BALANCE TO BE USED (FINAL)

Date Printed: 03/31/93

(MILLION DOLLARS)

| | COUNTRY | COMMODITY | GSM-102 ANNOUNCED | GSM-102 REGISTERED | GSM-102 BALANCE |
|---|---|---|---|---|---|
| | Kenya | Feed Grains | 10.00 | 10.00 | -- |
| | Kenya | SUB-TOTAL | 10.00 | 10.00 | -- |
| | Korea | Cotton | 200.00 | 195.40 | 4.60 |
| | Korea | Feed Grains | 65.00 | 62.10 | 2.90 |
| | Korea | Hides and Skins | 20.00 | 7.80 | 12.20 |
| | Korea | Oilseeds | 45.00 | 44.90 | 0.10 |
| | Korea | Tallow/Greases | 8.00 | 6.10 | 1.90 |
| | Korea | Wheat | 155.00 | 155.00 | -- |
| | Korea | Wood Products | 7.00 | 6.90 | 0.10 |
| | Korea | SUB-TOTAL | 500.00 | 478.20 | 21.80 |
| | Mexico | Barley Malt | 8.80 | 8.80 | -- |
| | Mexico | Corn | 71.20 | 71.20 | -- |
| | Mexico | Corn Products | 1.20 | 1.20 | -- |
| | Mexico | Cotton | 20.30 | 20.30 | -- |
| | Mexico | Feed Grains | 430.90 | 395.70 | 35.20 |
| | Mexico | Hides and Skins | 1.50 | 1.50 | -- |
| | Mexico | Meat, Frozen and/or Chilled | 50.10 | 50.10 | -- |
| | Mexico | Oilseeds | 454.70 | 454.70 | -- |
| | Mexico | Planting Seeds | 0.40 | 0.40 | -- |
| | Mexico | Protein Meals | 100.00 | 100.00 | -- |
| | Mexico | Pulses | 0.70 | 0.70 | -- |
| | Mexico | Rice | 22.40 | 22.40 | -- |
| | Mexico | Table Eggs | 4.00 | 4.00 | -- |
| | Mexico | Tallow/Greases | 19.50 | 19.50 | -- |
| | Mexico | Veg. Oil | 30.00 | 24.10 | 5.90 |
| | Mexico | Wheat | 51.60 | 51.60 | -- |
| | Mexico | Wood Products | 32.80 | 32.80 | -- |
| | Mexico | Wood Pulp/Wood Chips | 49.90 | 49.80 | 0.10 |
| | Mexico | SUB-TOTAL | 1,350.00 | 1,308.80 | 41.20 |
| 2/ | Morocco | Cotton | 8.00 | -- | 8.00 |
| 2/ | Morocco | Planting Seeds | 1.00 | -- | 1.00 |
| 3/ | Morocco | Rice | 2.00 | -- | 2.00 |
| | Morocco | SUB-TOTAL | [illegible] | -- | 11.00 |
| | Namibia | Wheat/Wheat Flour | 2.50 | -- | 2.50 |
| | Namibia | SUB-TOTAL | 2.50 | -- | 2.50 |
| | Pakistan | Wheat | 250.00 | 250.00 | -- |
| | Pakistan | SUB-TOTAL | 250.00 | 250.00 | -- |
| | Panama | Wheat | 2.00 | 0.50 | 1.50 |
| | Panama | Wood Products | 1.00 | -- | 1.00 |
| | Panama | SUB-TOTAL | 3.00 | 0.50 | 2.50 |
| | Philippines | Soybeans | 5.00 | -- | 5.00 |
| | Philippines | Wheat | 16.00 | -- | 16.00 |

STATUS REPORT ON CCC'S COMMERCIAL EXPORT CREDIT PROGRAMS FY 1992
ANNOUNCED AND REGISTERED AMOUNTS WITH A BALANCE TO BE USED (FINAL)

Date Printed: 03/31/93

(MILLION DOLLARS)

| | | | GSM – 102 | | |
|---|---|---|---|---|---|
| | COUNTRY | COMMODITY | ANNOUNCED | REGISTERED | BALANCE |
| | **Philippines** | **SUB–TOTAL** | **20.00** | **– –** | **20.00** |
| | Romania | Cotton | 10.00 | 10.00 | – – |
| | Romania | Oilseeds | 29.00 | 28.60 | 0.40 |
| | Romania | Protein Meals | 11.00 | 11.00 | – – |
| | **Romania** | **SUB–TOTAL** | **50.00** | **49.60** | **0.40** |
| | Russia | Feed Grains | 223.03 | 222.52 | 0.51 |
| | Russia | Protein Meals | 125.41 | 125.09 | 0.32 |
| | Russia | Tallow | 28.25 | 28.25 | – – |
| | Russia | Veg. Oil | 17.25 | 17.25 | – – |
| | Russia | Wheat/Wheat Flour | 250.71 | 250.71 | – – |
| 4/ | **Russia** | **SUB–TOTAL** | **644.65** | **643.82** | **0.83** |
| | Senegal | Dairy Products | 1.00 | 0.60 | 0.40 |
| | Senegal | Rice | 19.00 | 15.00 | 4.00 |
| | **Senegal** | **SUB–TOTAL** | **20.00** | **15.60** | **4.40** |
| | South Africa | Feed Grains | 5.00 | – – | 5.00 |
| | South Africa | Wheat | 25.00 | – – | 25.00 |
| | **South Africa** | **SUB–TOTAL** | **30.00** | **– –** | **30.00** |
| | Former Soviet Union | Almonds | 4.89 | 4.89 | – – |
| | Former Soviet Union | Feed Grains | 498.81 | 498.81 | – – |
| | Former Soviet Union | Hops | 5.17 | 5.17 | – – |
| | Former Soviet Union | Meat, Frozen Poultry | 17.98 | 17.98 | – – |
| | Former Soviet Union | Protein Meals | 310.16 | 310.10 | 0.06 |
| | Former Soviet Union | Rice | 7.99 | 7.96 | 0.03 |
| | Former Soviet Union | Soybeans | 122.80 | 122.30 | 0.50 |
| | Former Soviet Union | Veg. Oil | 56.90 | 56.77 | 0.13 |
| | Former Soviet Union | Wheat/Wheat Flour | 810.30 | 807.96 | 2.34 |
| 5/ | **Former Soviet Union** | **SUB–TOTAL** | **1,835.00** | **1,831.94** | **3.06** |
| | Sri Lanka | Wheat/Wheat Flour | 35.00 | 26.80 | 8.20 |
| | **Sri Lanka** | **SUB–TOTAL** | **35.00** | **26.80** | **8.20** |
| | Trinidad and Tobago | Feed Grains | 11.40 | 11.20 | 0.20 |
| | Trinidad and Tobago | Oilseeds | 27.50 | 19.30 | 8.20 |
| | Trinidad and Tobago | Rice | 8.70 | 4.30 | 4.40 |
| | Trinidad and Tobago | Wheat | 12.40 | 11.60 | 0.80 |
| | **Trinidad and Tobago** | **SUB–TOTAL** | **60.00** | **46.40** | **13.60** |
| 2/ | Tunisia | Cotton | 1.00 | – – | 1.00 |
| 3/ | Tunisia | Veg. Oil | 26.50 | 26.40 | 0.10 |
| 2/ | Tunisia | Wheat | 17.00 | – – | 17.00 |
| 2/ | Tunisia | Wood Products | 3.00 | – – | 3.00 |
| | **Tunisia** | **SUB–TOTAL** | **47.50** | **26.40** | **21.10** |
| 2/ | Turkey | Cotton | 10.00 | 9.20 | 0.80 |

STATUS REPORT ON CCC'S COMMERCIAL EXPORT CREDIT PROGRAMS FY 1992
ANNOUNCED AND REGISTERED AMOUNTS WITH A BALANCE TO BE USED (FINAL)

Date Printed: 03/31/93

(MILLION DOLLARS)

| | COUNTRY | COMMODITY | GSM-102 ANNOUNCED | GSM-102 REGISTERED | GSM-102 BALANCE |
|---|---|---|---|---|---|
| 6/ | Turkey | Feed Grains | 35.00 | 11.30 | 23.70 |
| 2/ | Turkey | Feed Grains | 6.00 | 3.40 | 2.60 |
| 2/ | Turkey | Oilseeds | 1.50 | 1.00 | 0.50 |
| 6/ | Turkey | Protein Meals | 7.00 | 3.40 | 3.60 |
| 2/ | Turkey | Protein Meals | 2.50 | 1.30 | 1.20 |
| 6/ | Turkey | Undesignated | 3.00 | -- | 3.00 |
| | Turkey | SUB-TOTAL | 65.00 | 29.60 | 35.40 |
| | Ukraine | Feed Grains | 39.15 | 38.57 | 0.58 |
| | Ukraine | Rice | 5.05 | 4.96 | 0.09 |
| | Ukraine | Wheat | 65.80 | 65.49 | 0.31 |
| 7/ | Ukraine | SUB-TOTAL | 110.00 | 109.02 | 0.98 |
| | Venezuela | Barley Malt | 3.00 | -- | 3.00 |
| | Venezuela | Feed Grains | 33.00 | 6.50 | 26.50 |
| | Venezuela | Meat, Frozen and/or Chilled | 3.00 | -- | 3.00 |
| | Venezuela | Oilseeds | 38.00 | 23.20 | 14.80 |
| | Venezuela | Protein Meals | 28.00 | 24.60 | 3.40 |
| | Venezuela | Tallow/Greases | 2.00 | 0.70 | 1.30 |
| | Venezuela | Wheat | 52.00 | 42.40 | 9.60 |
| | Venezuela | Wood Products | 1.00 | -- | 1.00 |
| | Venezuela | SUB-TOTAL | 160.00 | 97.40 | 62.60 |
| | Yemen | Wheat/Wheat Flour | 30.00 | 30.00 | -- |
| | Yemen | SUB-TOTAL | 30.00 | 30.00 | -- |
| | Zimbabwe | Feed Grains | 20.00 | 19.70 | 0.30 |
| | Zimbabwe | SUB-TOTAL | 20.00 | 19.70 | 0.30 |
| | GRAND TOTAL | | 6,074.45 | 5,595.60 | 478.85 |

1/ GSM-102 - Available only on sales to the private sector.
2/ GSM-102 - Available for private sector purchases.
3/ GSM-102 - Available for public sector purchases.
4/ GSM-102 - Includes $74.5 million of freight coverage.
5/ GSM-102 - Includes $200.0 million of freight coverage.
6/ GSM-102 - Available only on sales to Toprak Mahsulleri Ofisi (TMO) and Yem Sanayii (T.A.S.).
7/ GSM-102 - Includes $13.2 million of freight coverage.

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Mr. DURBIN. Please provide a table for the record showing the list of the countries that received GSM-103 guarantees during calendar year 1992, showing the amount of the guarantee and what commodities were sold.

Mr. SCHROETER. We will provide that data on a basis similar to GSM-102.

[The information follows:]

CCC EXPORT CREDIT GUARANTEE PROGRAM GSM-103, FY 1992
COUNTRY BY COMMODITY

(Million Dollars)

| | | GSM-103 | | |
|---|---|---|---|---|
| COUNTRY | COMMODITY | ANNOUNCED | REGISTERED | BALANCE |
| Algeria | Feed Grains | 40.00 | 27.30 | 12.70 |
| Algeria | SUB-TOTAL | 40.00 | 27.30 | 12.70 |
| Argentina | Breeder Livestock | 2.00 | 0.00 | 2.00 |
| Argentina | SUB-TOTAL | 2.00 | 0.00 | 2.00 |
| [illegible] | Feed Grains | 5.00 | 0.00 | 5.00 |
| Jordan | Rice | 5.00 | 0.00 | 5.00 |
| Jordan | Wheat | 10.00 | 8.10 | 3.90 |
| Jordan | SUB-TOTAL | 20.00 | 8.10 | 13.90 |
| Mexico | Breeder Livestock | 10.00 | 4.30 | 5.70 |
| Mexico | SUB-TOTAL | 10.00 | 4.30 | 5.70 |
| Morocco | Feed Grains | 20.00 | 1.80 | 18.20 |
| Morocco | Wheat | 60.00 | 16.30 | 43.70 |
| Morocco | SUB-TOTAL | 80.00 | 18.10 | 61.90 |
| Panama | Barley Malt | 1.00 | 0.00 | 1.00 |
| Panama | Feed Grains | 4.00 | 2.40 | 1.60 |
| Panama | Poultry Breeder Stock | 1.00 | 0.00 | 1.00 |
| Panama | Protein Meals | 4.00 | 0.90 | 3.10 |
| Panama | SUB-TOTAL | 10.00 | 3.30 | 6.70 |
| Sri Lanka | Wheat/Wheat Flour | 15.00 | 0.00 | 15.00 |
| Sri Lanka | SUB-TOTAL | 15.00 | 0.00 | 15.00 |
| Trinidad and Tobago | Breeder Livestock | 2.00 | 1.10 | 0.90 |
| Trinidad and Tobago | SUB-TOTAL | 2.00 | 1.10 | 0.90 |
| Tunisia | Dairy Products | 3.00 | 0.00 | 3.00 |
| Tunisia | Feed Grains | 4.00 | 0.00 | 4.00 |
| Tunisia | Feed Grains | 15.50 | 11.30 | 4.20 |
| Tunisia | Meat, Frozen and/or Chilled | 1.00 | 0.00 | 1.00 |
| Tunisia | Planting Seeds | 1.00 | 0.00 | 1.00 |
| Tunisia | Protein Meals | 3.50 | [illegible] | 3.50 |
| Tunisia | [illegible] | 0.50 | [illegible] | 0.50 |
| Tunisia | Tree Nuts | 0.50 | 0.00 | 0.50 |
| Tunisia | Veg. Oil | 0.00 | 0.00 | 0.00 |
| Tunisia | Wheat | 16.00 | 11.50 | 4.50 |
| Tunisia | SUB-TOTAL | 45.00 | 22.80 | 22.20 |
| Yemen | Wheat/Wheat Flour | 5.00 | 5.00 | 0.00 |
| Yemen | SUB-TOTAL | 5.00 | 5.00 | 0.00 |
| GRAND TOTAL | | 229.00 | 88.00 | 141.00 |

U.S. CONTENT

Mr. Durbin. Your regulations require that commodities sold under the GSM–102 and –103 programs should be restricted to agricultural commodities or products entirely produced in the United States. How do you go about enforcing this provision?

Mr. Schroeter. Exporters participating in the GSM programs are required to certify to CCC that the commodity exported meets the definition of a U.S. agricultural commodity. This certification is obtained at the time of application for a payment guarantee and again when the evidence of export report is filed. Further, exporters are required to maintain and grant access by USDA officials to their records of sales and inventories. FAS's Compliance Review Staff samples approximately 10 percent of GSM–102/103 payment guarantees issued annually by CCC and, among other checks, determines compliance with the U.S. content provisions of the program. If evidence is found that foreign commodities were included in an export transaction, CCC may hold that exporter liable for any amounts attributed to the foreign content which are paid by CCC in the event of a claim. CCC may also suspend or debar an exporter from participation in the GSM–102/103 and other CCC programs for shipping foreign commodities under CCC programs.

Mr. Durbin. During calendar year 1992, have you had any cases where exporters falsely certified that the commodities they were selling were not entirely of U.S. origin?

Mr. Schroeter. Yes. In calendar year 1992, FAS's Compliance Review Staff identified one case where an exporter had falsely certified that the commodities exported were entirely of U.S. origin. This GSM–102 sale was made in 1991 and involved the export of cattle hides to Mexico. FAS was able to document that the export shipment contained 13 percent Canadian origin hides valued at $25,258.55. We notified the exporter that CCC would hold them liable and we obtained a standby letter of credit for the full value of the foreign hides included in the shipment. This standby letter of credit protects CCC if a default occurs under the payment guarantee. The standby letter of credit will be maintained by the exporter until the payment guarantee expires. CCC has reserved the right to take further administrative action against the exporter.

No other cases were identified where CCC could establish that foreign commodities were exported and that false statements were made under the program.

Mr. Durbin. You have testified in the past that there is only minimal demand for the GSM–102 program because domestic inflation rates make it very risky for banks or importers to borrow in dollars for a period of several years because they have little idea of what dollars may cost in local currency toward the end of the credit period. There has been some discussion that this would be an appropriate program for the countries of the former Soviet Union to help them past their current credit crunch. Because of their domestic inflation rates, would it not make this program highly risky for U.S. banks and, therefore, the U.S. government?

Mr. Schroeter. Clearly, the domestic inflation rate in any given foreign country is one among several factors which must be included in the assessment of to CCC in providing GSM–102 program cov-

erage on sales to that country. However, such countries must be evaluated on a case-by-case basis since other factors also bear on credit-worthiness and ability to service hard-currency debt. For example, a country with substantial foreign exchange reserves, or with a good potential to export products for hard currency, might be credit-worthy in spite of the fact that domestic prices are rising rapidly. These and other factors must be looked at individually with respect to the independent states of the former Soviet Union.

EMERGING DEMOCRACIES

Mr. DURBIN. Two hundred million dollars per year is earmarked for emerging democracies under the law. For fiscal years 1991, 1992, and to date for 1993, please list the countries and the guarantees involved. In providing this information for the record, you might separately identify the guarantees, by country, to the countries of the former Soviet Union.

Mr. SCHROETER. For fiscal 1991-93 we have far exceeded our target of making $200 million in GSM-102/103 credit guarantees available to emerging democracies. We will provide a table showing the dollar amounts announced under these credit guarantee programs for emerging democracies, by country, for fiscal 1991-93.

[The information follows:]

CCC CREDIT GUARANTEES TO EMERGING DEMOCRACIES

[Guarantees announced, in millions of dollars]

| Country | Fiscal 1991 | Fiscal 1992 | Fiscal 1993 |
|---|---|---|---|
| Czechoslovakia | | 20.0 | |
| Czech Federal Republic | | | 25.0 |
| Hungary | 20.0 | 10.0 | 10.0 |
| Namibia | | 2.5 | 6.0 |
| Panama | 18.0 | 13.0 | 17.0 |
| Romania | | 50.0 | 36.0 |
| Former Soviet Union | 1,915.0 | 1,835.0 | |
| Russia | | 644.65 | 800.0 |
| Ukraine | | 110.0 | 200.0 |
| Total | 1,953.0 | 2,685.15 | 1,094.0 |

Mr. DURBIN. Is there any reason why this needs to be a separate program from the regular GSM-102 program?

Mr. SCHROETER. Section 1542 of the FACT Act directs USDA to: 1) make available not less than $1 billion in export credit guarantees to emerging democracies under our existing GSM-102/103 program during the FY 1991 to 1995 period; and 2) make available a portion of these guarantees for the establishment of facilities if the Secretary determines that such guarantees will primarily promote the export of United States agricultural commodities. This later provision does necessitate a program separate from the regular GSM-102/103 program

This separate program provides financing for sales of U.S. goods and services intended to improve agricultural production, storage and/or distribution facilities rather than sales of agricultural commodities. The review and approval of this type of financing requires different kinds of information and documentation than that

for commodity sales. We have taken the necessary steps to implement the program including preparing regulations and training personnel—we detailed two employees to the Export-Import Bank. As soon as the regulations are published, we plan to implement this program on a pilot basis.

CCC CREDIT PROGRAMS

Mr. Durbin. Please update the table that appears on page 351 of last year's hearing listing all of the countries that are in arrears in their payments.

Mr. Schroeter. I will request assistance from ASCS staff to provide that information.

[The information follows:]

COMMODITY CREDIT CORPORATION ARREARAGES
As of December 31, 1992

| COUNTRY | P.L. 480 ARREARS | CCC ARREARS | TOTAL ARREARS / 1 |
|---|---|---|---|
| AFGANISTAN | $1,351,095 | | $1,351,095 |
| BANGLADESH | 110,752,751 | $1,061 | 110,753,812 |
| BRAZIL | 249,865 | 621,468 | 871,333 |
| CAMBODIA | 143,723,513 | | 143,723,513 |
| COLUMBIA | 51,835 | | 51,835 |
| COSTA RICA | 360,292 | | 360,292 |
| ECUADOR | 7,124 | | 7,124 |
| GUATEMALA | 6,475,856 | | 6,475,856 |
| GUINEA | 2,408,323 | | 2,408,323 |
| IVORY COAST | 690,545 | | 690,545 |
| JAMAICA | | 4,828,124 | 4,828,124 |
| JORDAN | 3,357 | 6,292 | 9,649 |
| LEBANON | 6,709,057 | | 6,709,057 |
| LIBERIA | 28,880,625 | | 28,880,625 |
| MOROCCO | 1,412,743 | | 1,412,743 |
| PARAGUAY | 301,311 | | 301,311 |
| PHILIPPINES | 25,509 | 1,672 | 27,181 |
| POLAND | 36,574 | 259,171 | 295,745 |
| PORTUGAL | 6,532 | | 6,532 |
| SOMALI REPUBLIC | 17,681,978 | | 17,681,978 |
| SRI LANKA | 2,769 | | 2,769 |
| SUDAN | 44,208,264 | 72,721,164 | 116,929,428 |
| SYRIA | 45,750,083 | | 45,750,083 |
| THAILAND | 22,468 | | 22,468 |
| TUNISIA | 1,946 | | 1,946 |
| TURKEY | | 38,691 | 38,691 |
| VIETNAM | 13,109,073 | | 13,109,073 |
| YEMEN | 81,596 | | 81,596 |
| ZAIRE | 44,872,986 | 6,734,174 | 51,607,160 |
| ZAMBIA | 2,919,274 | | 2,919,274 |
| TOTAL ARREARS | $472,097,344 | $85,211,817 | $557,309,161 |

Note 1: By definition, Arrears does not include outstanding claims paid. Therefore, the above data does not include outstanding claims paid but not recovered from the following countries: Agrentina, Iraq, Yugoslavia, Dominican Republic, Honduras, Suriname, and Zanzibar.

ASCS/FMD/FPARAB/2-25-93

CCC CLAIM

Mr. DURBIN. Please provide for the record a table showing how much CCC has paid out, by country, on loans that were in arrears.

[The information follows:]

*Claims paid by CCC under the GSM 101/102/103 programs 1981 through December 31, 1992*

| Country | Total claims paid [1] |
|---|---|
| Argentina | $103,744 |
| Brazil | 219,054,302 |
| Chile | 137,077,763 |
| Dominican Republic | 143,595,173 |
| Egypt | 244,378,403 |
| El Salvador | 20,152,648 |
| Honduras | 25,730,678 |
| Iraq | 1,511,221,764 |
| Jamaica | 88,108,479 |
| Jordan | 7,950,941 |
| Mexico | 384,332,364 |
| Morocco | 172,947,210 |
| Nigeria | 1,495,540 |
| Panama | 3,219,517 |
| Peru | 286,137,528 |
| Philippines | 41,429,460 |
| Poland | 1,011,718,302 |
| Romania | 34,454,845 |
| Suriname | 7,914,829 |
| Sudan | 54,203,212 |
| Yeman | 531,749 |
| Yugoslavia | 5,213,246 |
| Zanzibar | 4,021,509 |
| Total claims paid | 4,404,999,206 |

[1] A majority of these claims have been rescheduled except for Iraq, Argentina, Yugoslavia, Dominican Republic, Honduras, Suriname, and Zanzibar.

Mr. DURBIN. During calendar year 1992, did CCC recover any of these funds?

Mr. SCHROETER. Yes, CCC collected $1.3 million in claims repayments from Yugoslavia during calendar year 1992.

Mr. DURBIN. During calendar year 1992, what debts were written off by CCC?

Mr. SCHROETER. During calendar year 1992, no foreign debts were written off. However, the U.S. Government signed Enterprise for the Americas Debt Forgiveness Agreements with El Salvador and Uruguay on December 15, 1992, and these agreements went in force on January 15, 1993. These agreements provide for the reduction of P.L. 480 Title I debt, and do not involve CCC export credit guarantee debt.

PUBLIC LAW 480, TITLE I—AGREEMENTS

Mr. DURBIN. Please list for the record all of the Title I agreements that were signed during 1992, including the country, the commodity, and the dollar value.

Mr. SCHROETER. I will provide a table that lists that information. Since this program is funded and managed on a fiscal year basis, I believe it would be most helpful to show the data on a fiscal year basis.

[The information follows:]

Public Law 480, Title I Agreements signed 1/
Fiscal Year 1992

| Country / Commodity | Quantity (000MT) | Value (Mil $) |
|---|---|---|
| Belarus | | |
| Corn | 92.6 | 9.0 |
| Soybean Meal | 55.1 | 10.9 |
| Ocean Freight financed | | 4.1 |
| Sub–total | | 24.0 |
| Congo | | |
| Rice | 12.2 | 3.5 |
| Veg. Oil | 2.2 | 1.5 |
| Sub–total | | 5.0 |
| Cote d'Ivoire | | |
| Rice | 36.0 | 10.0 |
| Egypt | | |
| Wheat | 287.7 | 40.4 |
| El Salvador | | |
| Wheat | 93.3 | 13.9 |
| Soybean Meal | 32.4 | 7.1 |
| Tallow | 24.2 | 8.4 |
| Sub–total | | 29.4 |
| Estonia | | |
| Wheat | 32.6 | 4.6 |
| Corn | 38.2 | 3.8 |
| Ocean Freight financed | | 1.6 |
| Sub–total | | 10.0 |
| Guatemala | | |
| Wheat | 103.9 | 14.9 |
| Guyana | | |
| Wheat | 48.4 | 7.1 |
| Jamaica | | |
| Wheat | 68.8 | 10.9 |
| Rice | 34.4 | 10.0 |
| Corn | 80.4 | 9.0 |
| Sub–total | | 29.9 |
| Jordan | | |
| Wheat | 143.7 | 20.0 |

**Public Law 480, Title I Agreements signed 1/**
**Fiscal Year 1992**

| Country / Commodity | Quantity (000MT) | Value (Mil $) |
|---|---|---|
| Latvia | | |
| Wheat | 57.8 | 8.0 |
| Ocean Freight financed | | 2.0 |
| Sub–total | | 10.0 |
| Lithuania | | |
| Soybean Meal | [illegible] | 8.8 |
| Ocean Freight financed | | 1.2 |
| Sub–total | | 10.0 |
| Moldova | | |
| Corn | 71.7 | 7.0 |
| Ocean Freight financed | | 3.0 |
| Sub–total | | 10.0 |
| Morocco | | |
| Wheat | 122.9 | 16.0 |
| Veg. Oil | 61.5 | 29.0 |
| Sub–total | | 45.0 |
| Philippines | | |
| Soybean Meal | 96.1 | 20.0 |
| Romania | | |
| Cotton | 33.3 | 10.0 |
| Sierra Leone | | |
| Wheat | 5.8 | 1.0 |
| Rice | 20.1 | 6.0 |
| Ocean Freight financed | | 2.4 |
| Sub–total | | 9.4 |
| Sri Lanka | | |
| Wheat | 38.4 | 5.0 |
| Wheat Flour | 34.4 | 8.0 |
| Sub–total | | 13.0 |
| Suriname | | |
| Wheat | 16.0 | 2.5 |
| Corn | 22.6 | 2.4 |
| Veg. Oil | 3.5 | 2.5 |
| Sub–total | | 7.4 |
| Tajikistan | | |
| Wheat | 58.1 | 8.2 |
| Ocean Freight financed | | 1.8 |
| Sub–total | | 10.0 |
| Tunisia | | |

Public Law 480, Title I Agreements signed 1/
Fiscal Year 1992

| Country / Commodity | Quantity (000MT) | Value (Mil $) |
|---|---|---|
| Wheat | 93.2 | 15.0 |
| | | |
| Zimbabwe | | |
| Wheat | 70.9 | 10.0 |
| Corn | 248.6 | 25.0 |
| Veg. Oil | 11.4 | 5.0 |
| Sub-total | | 40.0 |
| | | |
| TOTAL TITLE I | | 390.5 |

**Public Law 480, Title I Agreements signed 1/**
**Fiscal Year 1992**

| Country / Commodity | Quantity (000MT) | Value (Mil $) |
|---|---|---|
| **Food for Progress Grants** | | |
| Albania | | |
| Wheat | 40.0 | 5.2 |
| Veg. Oil | 20.0 | 9.0 |
| Cotton | 22.7 | 7.8 |
| Ocean Freight Grants | | 5.5 |
| Sub-total | | 27.5 |
| Armenia | | |
| Wheat | 66.0 | 9.3 |
| Ocean Freight Grants | | 13.7 |
| Sub-total | | 23.0 |
| Georgia | | |
| Wheat | 100.0 | 14.0 |
| Kyrgyzstan | | |
| Wheat | 56.0 | 8.3 |
| Ocean Freight Grants | | 1.7 |
| Sub-total | | 10.0 |
| Nicaraua | | |
| Wheat | 44.5 | 6.8 |
| Veg. Oil | 13.0 | 6.3 |
| Soybean Meal | 9.1 | 1.9 |
| Tallow | 19.4 | 5.1 |
| Ocean Freight Grants | | 4.9 |
| Sub-total | | 25.0 |
| Panama | | |
| Veg. Oil | 7.0 | 3.4 |
| Ocean Freight Grants | | 0.6 |
| Sub-total | | 4.0 |
| TOTAL Food for Progress | | 103.5 |
| TOTAL PROGRAM | | 494.0 |

TITLE I TERMS

Mr. DURBIN. Please describe the terms of these agreements.

Mr. SCHROETER. The repayment terms for P.L. 480 Title I agreements are typically for repayment over 30 years with a 7-year grace period. The interest rates are normally 2 percent during the grace period and 3 percent during the balance of the agreement. Terms do vary with the shortest repayment period for fiscal year 1992 agreements being 21 years.

I would like to point out that a portion of the fiscal year 1992 Title I funds were used to support Food for Progress grant agreements. I will provide a table for the record listing the financial terms on a country by country basis.

[The information follows:]

DATE: 3/29/93

PUBLIC LAW 480, TITLE I FUNDED AGREEMENTS AND FINANCIAL TERMS
FISCAL YEAR 1992

| COUNTRY | SIGNED DATE | AGMTS, /AMND ($MIL) | TYPE OF TERM | RE- PYMT (YR) | GRACE PEROD (YR) | INTEREST GRCE | INTEREST RATE RATE (%) |
|---|---|---|---|---|---|---|---|
| | ---------- | TITLE I | ---------- | | | | |
| BELARUS | 09/09/92 | 24.0 | DC | 24 | 7 | 2 | 3 |
| CONGO | 02/12/92 | 5.0 | DC | 24 | 7 | 2 | 3 |
| COTE D'IVIORE | 03/13/92 | 10.0 | DC | 26 | 5 | 2 | 3 |
| EGYPT | 01/09/92 | 40.4 | DC | 24 | 7 | 2 | 3 |
| EL SALVADOR | 12/09/91 | 29.4 | DC | 24 | 7 | 2 | 3 |
| ESTONIA | 06/10/92 | 10.0 | DC | 24 | 7 | 2 | 3 |
| GUATEMALA | 03/19/92 | 14.9 | DC | 15 | 6 | 3 | 4 |
| GUYANA | 12/19/91 | 7.1 | DC | 24 | 7 | 2 | 3 |
| JAMAICA | 10/15/91 | 29.9 | DC | 25 | 6 | 2 | 3 |
| JORDAN | 03/05/92 | 20.0 | DC | 24 | 7 | 2 | 3 |
| LATVIA | 06/09/92 | 10.0 | DC | 24 | 7 | 2 | 3 |
| LITHUANIA | 06/05/92 | 10.0 | DC | 24 | 7 | 2 | 3 |
| MOLDOVA | 08/17/92 | 10.0 | DC | 24 | 7 | 2 | 3 |
| MOROCCO. | 11/04/91 | 45.0 | DC | 26 | 5 | 2 | 3 |
| PHILIPPINE | 02/03/92 | 20.0 | DC | 24 | 7 | 3 | 4 |
| ROMANIA | 07/17/92 | 10.0 | DC | 24 | 7 | 2 | 3 |
| SIERRA LEONE | 03/04/92 | 9.4 | DC | 24 | 7 | 2 | 3 |
| SRI LANKA | 03/17/92 | 13.0 | DC | 24 | 7 | 2 | 3 |
| SURINAME | 04/10/92 | 7.4 | DC | 18 | 3 | 2 | 3 |
| TAJIKISTAN | 08/21/92 | 10.0 | DC | 24 | 7 | 2 | 3 |
| TUNISIA | 11/05/91 | 15.0 | DC | 17 | 4 | 3 | 4 |
| ZIMBABWE | 06/02/92 | 40.0 | DC | 26 | 5 | 2 | 3 |
| TITLE I SUBTOTAL | | 390.5 | | | | | |
| | | FOOD FOR PROGRESS TITLE I a/ | | | | | |
| ALBANIA | 10/02/91 | 27.5 | FFP | 0 | 0 | 0 | 0 |
| ARMENIA | 08/25/92 | 23.0 | FFP | 0 | 0 | 0 | 0 |
| GEORGIA | 09/01/92 | 14.0 | FFP | 0 | 0 | 0 | 0 |
| KYGYZSTAN | 09/11/92 | 10.0 | FFP | 0 | 0 | 0 | 0 |
| NICARAGUA | 02/18/92 | 25.0 | FFP | 0 | 0 | 0 | 0 |
| PANAMA | 12/02/91 | 4.0 | FFP | 0 | 0 | 0 | 0 |
| FFP SUBTOTAL | | 103.5 | | | | | |
| TOTAL AGREEMENTS | | 494.0 | | | | | |

a/ Food for Progress Program grant Agreements funded under Title I.

### TITLE I—ALLOCATIONS

Mr. DURBIN. Please provide for the record the allocations, by country, under Title I for calendar year 1992.

Mr. SCHROETER. I will be happy to provide that information. Since we manage the program on a fiscal year basis the data will be presented by fiscal year.

[The information follows:]

Country Title I allocations by country
Fiscal Year 1992

| Country | ( Mil $ ) 1/ |
|---|---|
| Belarus | 24.0 |
| Congo | 5.0 |
| Cote d'Ivoire | 10.0 |
| Egypt | 40.4 |
| El Salvador | 29.4 |
| Estonia | 10.0 |
| Guatemala | 14.9 |
| Guyana | 7.1 |
| Jamaica | 29.9 |
| Jordan | 20.0 |
| Latvia | 10.0 |
| Lithuania | 10.0 |
| Moldova | 10.0 |
| Morocco | 45.0 |
| Philppines | 20.0 |
| Romania | 10.0 |
| Sierra Leone | 9.4 |
| Sri Lanka | 13.0 |
| Suriname | 7.4 |
| Tajikistan | 10.0 |
| Tunisia | 15.0 |
| Zimbabwe | 40.0 |
| | ========== |
| Sub-total | 390.5 |
| **Food for Progress Grants** | |
| Albania | 27.5 |
| Armenia | 23.0 |
| Georgia | 14.0 |
| Kyrgyzstan | 10.0 |
| Nicaraua | 25.0 |
| Panama | 4.0 |
| | ========== |
| Sub-total | 103.5 |
| | ========== |
| Total Program | 494.0 |

1/ Allocated Values include Ocean Freight Financing and Ocean Freight Grants of 42.4 million dollars.

### OCEAN FREIGHT DIFFERENTIAL

Mr. DURBIN. Please describe how you compute the ocean freight differential and list for the record the ocean freight differential cost for fiscal years 1991 and 1992, and your current estimate for fiscal year 1993.

Mr. SCHROETER. We compute the ocean freight differential by determining which foreign flag vessels the country would have used to carry the Title I commodities if the Cargo Preference Act did not exist. We base the computation on the offers submitted in response to the country's public freight Invitation for Bids. We compare the rates for the U.S.-flag vessels actually used with the offered rates for the foreign flag vessels. The difference is the ocean freight differential.

The cost of ocean freight differential for Title I in fiscal year 1991 was $42.2 million. The cost in fiscal year 1992 was $37.9 million. For fiscal year 1993, the current budget estimate is $45.3 million.

### EGYPT

Mr. DURBIN. Under Title I Egypt has been programmed at $150,000,000 or more each year for the last fifteen years, going back to the days of the Camp David Accords. What has been the total Title I programming to Egypt since the Camp David Accords and how much of this amount, if any, is in arrears?

Mr. SCHROETER. During the fiscal years 1977 to 1992, Title I programming to Egypt totaled $2.9 billion and as of today, there were no arrears.

Mr. DURBIN. What was the reason for Egypt turning back $110,000,000 of its programming last year?

Mr. SCHROETER. Last fiscal year, Egypt privatized wheat flour imports and carried record wheat stocks. As a result, the Government of Egypt only used $40 million of its $150 million P.L. 480 Title I allocation, and formally returned the balance to us in August.

Mr. DURBIN. How much do you anticipate they will use in fiscal years 1993 and 1994?

Mr. SCHROETER. We had allocated $150 million for Egypt for fiscal year 1993, but at the request of the Government of Egypt, we signed an agreement for only $50 million. While we have not completed tentative allocations for fiscal year 1994, we would anticipate an allocation for Egypt similar to the fiscal year 1993 agreement.

### TITLE II

Mr. DURBIN. Would you please provide for the record the Title II program, by country and commodity, for calendar year 1992?

Mr. SCHROETER. I will provide that information for the record. Since Title II and Title III are administered by the Agency for International Development, I will request their assistance in providing this information.

[The information follows:]

Public Law 480 Title II
Total Commodities Shipped by Country
Fiscal Year 1992
Commodity (Metric Tons)

| Country/ Sponsor | TOTAL CCC ($000) a/ | Total | WHEAT | b/ WFLOUR | c/ BULGUR | CORN | d/ CORNMEAL | SORGHUM | SFSG e/ | CSB f/ | WSB g/ | VEGOIL h/ | RICE | OTHER i/ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AFRICA – TOTAL | 189,799 | 805,504 | 298,076 | 1,850 | 14,689 | 127,155 | 32,181 | 62,382 | 7,805 | 49,822 | 10,091 | 41,552 | 118,208 | 41,694 |
| Angola | 8,955 | 33,964 | — | — | — | 16,722 | 3,659 | — | — | 1,362 | — | 1,768 | 6,667 | 3,806 |
| Benin | 1,297 | 3,766 | — | — | — | — | 1,551 | — | — | — | 1,507 | 708 | — | — |
| Botswana | 577 | 4,368 | — | — | — | — | — | 4,118 | — | — | — | 250 | — | — |
| Burkina Faso | 5,231 | 30,389 | 4,500 | — | — | — | 13,316 | 9,088 | — | — | — | 1,159 | 740 | 1,587 |
| Cameroon | 92 | 116 | — | — | — | — | — | — | — | — | — | 116 | — | — |
| Cape Verde | 1,881 | 14,210 | — | — | — | 12,000 | — | — | — | 2,000 | — | — | — | 210 |
| Central African Rep | 294 | 1,600 | — | — | — | — | 1,600 | — | — | — | — | — | — | — |
| Chad | 684 | 2,370 | — | — | — | — | — | — | 1,130 | 190 | — | — | 1,050 | — |
| Comoro Islands | 318 | 775 | — | — | — | — | — | — | — | — | — | 75 | 700 | — |
| Congo | 308 | 805 | — | — | — | — | — | — | — | — | — | 25 | 780 | — |
| Cote d' Ivoire | 554 | 1,500 | — | — | — | — | — | — | — | — | — | — | 1,500 | — |
| Ethiopia | 52,259 | 268,978 | 214,944 | — | 2,500 | — | — | 20,000 | — | 12,198 | — | 16,300 | 261 | 3,775 |
| Gambia | 1,012 | 8,094 | — | — | — | — | — | — | — | 3,103 | — | — | 4,976 | 15 |
| Ghana | 7,113 | 38,874 | 29,285 | — | 1,380 | — | — | — | 4,100 | — | 2,185 | 80 | 1,645 | 220 |
| Guinea | 790 | 2,150 | — | — | — | — | — | — | — | 50 | — | — | 2,100 | — |
| Guinea Bissau | 531 | 1,550 | — | 1,000 | — | — | — | — | — | 150 | — | 400 | — | — |
| Kenya | 5,728 | 25,301 | 14,065 | — | — | — | — | — | — | 9,000 | 393 | 743 | — | 800 |
| Lesotho | 1,014 | 7,220 | — | — | — | — | 7,220 | — | — | — | — | — | — | — |
| Liberia | 35,392 | 89,332 | — | — | — | — | — | — | — | 8,237 | — | 4,292 | 71,928 | 4,875 |
| Madagascar | 2,552 | 6,916 | — | — | — | — | — | — | — | 3,803 | — | 744 | 2,369 | — |
| Malawi | 4,950 | 45,000 | — | — | — | 45,000 | — | — | — | — | — | — | — | — |
| Mali | 731 | 1,231 | — | — | — | — | — | — | — | 500 | — | 731 | — | — |
| Mauritania | 543 | 1,938 | — | — | — | — | — | 353 | 954 | — | 190 | 204 | — | 237 |
| Mauritius | 224 | 1,000 | — | 850 | — | — | — | — | — | 150 | — | — | — | — |
| Mozambique | 8,990 | 42,579 | — | — | — | 31,733 | — | — | — | 5,168 | — | 522 | — | 5,156 |
| Niger | 1,806 | 17,894 | — | — | — | — | — | 15,997 | 1,621 | — | — | 276 | — | — |
| Sao Tome | 628 | 2,187 | — | — | — | — | 1,351 | — | — | — | — | 152 | 492 | 192 k/ |
| Senegal | 287 | 3,118 | — | — | — | — | 3,118 | — | — | — | — | — | — | — |
| Sierra Leone | 3,098 | 11,605 | — | — | 8,148 | — | — | — | — | 2,200 | — | 1,194 | — | 63 |
| Somalia | 19,519 | 48,526 | 10,000 | — | — | — | — | — | — | 1,016 | 3,240 | 3,550 | 23,000 | 7,720 |
| Sudan | 14,187 | 50,470 | 20,000 | — | — | — | — | 12,627 | — | 660 | — | 4,145 | — | 13,038 |
| Togo | 3,108 | 13,624 | 5,282 | — | 2,861 | 1,700 | 367 | 199 | — | — | 2,276 | 1,139 | — | — |
| Uganda | 3,187 | 4,035 | — | — | — | — | — | — | — | 35 | — | 4,000 | — | — |
| Zambia | 1,660 | 20,000 | — | — | — | 20,000 | — | — | — | — | — | — | — | — |

Public Law 480 Title II
Total Commodities Shipped by Country
Fiscal Year 1992
Commodity (Metric Tons)

| Country/ Sponsor | TOTAL CCC ($000) a/ | Total | WHEAT | b/ WFLOUR | c/ BULGUR | CORN | d/ CORNMEAL | SORGHUM | SFSG e/ | CSB f/ | WSB g/ | VEGOIL h/ | RICE | OTHER i/ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASIA – TOTAL | 124,210 | 549,563 | 237,000 | — | 75,121 | — | — | — | — | 167,187 | 3,418 | 33,376 | 18,656 | 14,806 |
| Afghanistan | 18,200 | 130,000 | 130,000 | — | — | — | — | — | — | — | — | — | — | — |
| Bangladesh | 13,300 | 95,000 | 95,000 | — | — | — | — | — | — | — | — | — | — | — |
| Bhutan | 550 | 1,458 | — | — | 572 | — | — | — | — | — | 635 | 251 | — | — |
| Cambodia | 1,231 | 1,550 | — | — | — | — | — | — | — | — | — | 1,550 | — | — |
| India | 71,599 | 249,804 | — | — | 55,932 | — | — | — | — | 160,761 | — | 29,854 | 10,700 | 2,558 |
| Indonesia | 3,219 | 13,899 | 5,000 | — | — | — | — | — | — | — | 943 | — | 7,956 | — |
| Laos | 1,014 | 1,470 | — | — | — | — | — | — | — | — | — | 1,470 | — | — |
| Nepal | 685 | 1,840 | — | — | — | — | — | — | — | — | 1,840 | — | — | — |
| Pakistan | 199 | 250 | — | — | — | — | — | — | — | — | — | 250 | — | — |
| Philippines | 14,214 | 54,292 | 7,000 | — | 18,617 | — | — | — | — | 16,426 | — | — | — | 12,248 |
| EUROPE – TOTAL | 4,653 | 12,122 | — | 5,000 | — | — | — | — | — | 1,000 | 1,000 | 1,850 | 272 | 3,000 |
| Albania | 260 | 772 | — | — | — | — | — | — | — | — | — | — | 272 | 500 m |
| Balkan States | 4,393 | 11,350 | — | 5,000 | — | — | — | — | — | 1,000 | 1,000 | 1,850 | — | 2,500 l/ |
| LATIN AMERICA – TOTAL | 116,003 | 435,297 | 8,500 | 68,399 | 49,321 | 87,611 | 28,471 | 4,000 | 310 | 25,980 | 3,548 | 44,970 | 37,158 | 57,029 |
| Bolivia | 12,593 | 48,591 | — | 25,099 | 2,741 | — | 12,639 | — | — | 6,814 | — | 611 | 235 | 1,452 |
| Brazil | 1,158 | 2,700 | — | — | — | — | — | — | — | — | — | — | 2,000 | 700 k/ |
| Costa Rica | 132 | 166 | — | — | — | — | — | — | — | — | — | 166 | — | — |
| Dominican Republic | 971 | 11,804 | — | — | 720 | — | 200 | — | — | — | — | 100 | 1,629 | 9,155 |
| Ecuador | 2,076 | 11,036 | — | — | — | 9,000 | — | — | — | 310 | — | 1,090 | 636 | — |
| El Salvador | 4,684 | 11,053 | — | — | — | — | — | — | — | — | — | 1,660 | 7,223 | 2,170 |
| Guatemala | 6,673 | 33,825 | — | 766 | 2,300 | 20,909 | — | — | — | 3,521 | — | 1,542 | 3,773 | 1,014 |
| Haiti | 16,642 | 68,176 | — | 24,390 | 22,370 | — | 2,270 | — | 310 | 421 | 3,201 | 3,692 | — | 11,521 |
| Honduras | 7,004 | 26,890 | 8,500 | — | 1,155 | 6,667 | — | — | — | 1,330 | — | 1,854 | 2,766 | 4,618 |
| Jamaica | 1,760 | 17,731 | — | — | — | 17,647 | — | — | — | — | — | — | 84 | — |
| Mexico | 2,806 | 28,446 | — | — | — | 23,772 | — | 4,000 | — | 125 | — | 334 | 90 | 125 |
| Nicaragua | 3,930 | 7,221 | — | — | — | 486 | — | — | — | — | 347 | 4,093 | 1,292 | 1,003 |
| Panama | 308 | 2,279 | — | — | — | 2,130 | — | — | — | — | — | 50 | — | 99 k/ |
| Paraguay | 120 | 650 | — | — | — | — | 650 | — | — | — | — | — | — | — |
| Peru | 55,146 | 184,730 | — | 38,144 | 20,035 | 7,000 | 12,712 | — | — | 14,459 | — | 29,778 | 17,430 | 25,172 |

Public Law 480 Title II
Total Commodities Shipped by Country
Fiscal Year 1992
Commodity (Metric Tons)

| Country/ Sponsor | TOTAL CCC ($000) a/ | Total | WHEAT | b/ WFLOUR | c/ BULGUR | CORN | d/ CORNMEAL | SORGHUM | SFSG e/ | CSB f/ | WSB g/ | VEGOIL h/ | RICE | OTHER i/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NEAR EAST – TOTAL | 22,707 | 67,484 | — | 36,415 | 756 | — | — | — | — | — | — | 8,336 | 13,911 | 8,066 | |
| Gaza | 722 | 2,662 | — | 1,785 | — | — | — | — | — | — | — | 191 | 338 | 348 | k/ |
| Iraqi Refugees | 7,856 | 28,060 | — | 18,300 | — | — | — | — | — | — | — | 1,220 | 6,100 | 2,440 | j/ |
| Lebanon | 7,207 | 14,268 | — | — | 756 | — | — | — | — | — | — | 3,698 | 6,802 | 3,012 | u/ |
| Morocco | 3,719 | 10,100 | — | 6,181 | — | — | — | — | — | — | — | 2,602 | 17 | 1,300 | |
| West Bank | 1,248 | 4,226 | — | 2,769 | — | — | — | — | — | — | — | 305 | 654 | 498 | k/ |
| Yemen | 1,956 | 8,168 | — | 7,380 | — | — | — | — | — | — | — | 320 | — | 468 | j/ |
| Grand Total | 457,372 | 1,869,970 | 543,576 | 131,664 | 139,887 | 214,766 | 60,652 | 66,382 | 8,115 | 243,989 | 18,056 | 130,083 | 188,205 | 124,596 | |

a/ CCC – Commodity Credit Corporation
b/ wheat flour
c/ soy-fortified & regular bulgur
d/ soy-fortified & regular cornmeal
e/ soy-fortified sorghum grits
f/ corn-soya-blend
g/ wheat-soya-blend
h/ vegetable oil, 1/5/55 Gal.
i/ includes:

| | |
|---|---|
| peas | 21,663 |
| beans | 47,057 |
| lentils | 27,123 |
| nfdm | 12,467 |
| soybean meal | 8,805 |
| icsmf | 7,480 |

j/ peas
k/ beans
l/ lentils
m/ nfdm
n/ beans 350 & soybean meal 8,805
o/ beans 5,749 & peas 3,791
p/ nfdm 19 & peas 294
q/ nfdm 1,893 & beans 2,174
r/ icsmf 29 & beans 66
s/ icsmf 7,451; lentils 691; nfdm 486 & beans 1,347
t/ lentils 3,134; peas 2,455 & beans 5,216
u/ lentils 1,506 & beans 1,506

### INTERNAL TRANSPORTATION

Mr. DURBIN. What was the cost of internal transportation during calendar year 1992? How do you determine what internal transportation costs are allowable under the program?

Mr. SCHROETER. As you know, the P.L. 480 Title II program is administered by the Agency for International Development. For urgent emergency requirements, it is AID's policy that transportation costs involved in moving the commodities from discharge ports to storage and distribution sites and associated storage and distributions cost are covered by Title II programming. Title II internal handling, transportation and storage for fiscal year 1992 totaled $79.8 million. Private voluntary organizations/cooperative development organizations—PVOs/CDOs—and the World Food Program submit budgets for these costs as part of their proposals for emergency programs. Only costs in direct support of the distribution of food aid requested in the specific emergency program are approved. These costs are program specific and therefore it is difficult to forecast future fiscal year requirements.

### EXTERNAL TRANSPORTATION

Mr. DURBIN. What was the cost of external transportation during calendar year 1992? Please describe what external transportation costs are allowable.

Mr. SCHROETER. Each Title II program includes the cost of ocean freight charges from the United States ports to discharge ports abroad. Also included, in the case of landlocked countries, are the freight costs for the inland movement of the commodities to points of entry. AID reports that in fiscal year 1992 external transportation costs amounted to $242 million. That cost in fiscal year 1993 is estimated to be $260 million.

Mr. DURBIN. Please describe how you determine that the allowed charges for either internal or external transportation are valid. What role does FAS play; what role does the embassy play; and what role do others plan in these determinations.

Mr. SCHROETER. The Title II program is administered by A.I.D. and FAS is not involved in these determinations.

However, shipments are made according to the requirements of the Cargo Preference Act which designates that 75 percent of all Titles II and III commodities be shipped on U.S. flag vessels. A.I.D. monitors all shipments to assure this requirement is met.

Within the parameters of cargo preference legislation, commodities are supplied on the basis of the estimated lowest landed cost to foreign destinations. The principle of lowest landed cost not only dictates the vendors from which the commodity is procured, but also dictates the coastal range or port through which shipments are exported. The offered ocean freight cost is added to the f.a.s. or intermodal price. The lowest combined total cost of the f.a.s., intermodal, or bridgeport price plus the ocean freight to the foreign destination which results in the required U.S. flag participation is the lowest landed cost.

### TITLE II—SCHOOL LUNCH

Mr. DURBIN. Please describe the school lunch program provided under Title II and let us know how many children were involved in this program during calendar year 1992?

Mr. SCHROETER. Title II school feeding programs administered by A.I.D. technically provide either an on-arrival breakfast, a mid-morning snack or a mid-day meal. Activities that often accompany the provision of commodities include nutrition education for the children and for those who prepare the meals; community organizing for those who arrange for the meals; tools, seeds, and other inputs for school gardens so that locally grown foods can someday replace those donated as food aid, School feeding programs in 14 countries reached 6.6 million children in 1992.

### SOMALIA

Mr. DURBIN. Please describe for the record what USDA commodities have been programmed to Somalia during calendar year 1992 and to date during 1993. We are interested in knowing the commodities and dollar value under all USDA programs.

Mr. SCHROETER. I can respond with fiscal year information since our programs are administered on that basis. In fiscal year 1992, USDA allocated to Somalia approximately 60,000 metric tons of corn and sorghum through the section 416(b) program. The commodity value was about $6 million. In addition, 57,000 metric tons were programmed by A.I.D. through the P.L. 480 Title II program with a commodity value of about $20 million. The commodities programmed included wheat, rice, dry beans, vegetable oil, wheat soy blend and corn soy milk. These programs are being increased in fiscal year 1993. To date 85,000 metric tons of corn have been allocated through section 416(b) with a commodity value of about $8 million. Under the Title II program about 70,000 metric tons have been programmed with a commodity value of about $25 million and the commodity list is similar to last year. Under this program with Somalia, it costs about as much to ship and deliver the commodity as the value of the commodity itself.

Mr. DURBIN. Does USDA have any people in Somalia, if so, how many and what are their functions?

Mr. SCHROETER. The Foreign Agricultural Service has no one in Somalia. However, OICD has one person who is working with AID in assessing Somalia's port facilities in order to recommend needed improvements. This individual works out of AID's regional office in Nairobi, Kenya but frequently travels to Somalia.

### SUDAN

Mr. DURBIN. There have been reports in the press that the Sudan is facing a major famine. What is your assessment of this situation, and what role may USDA be called upon to play in the Sudan during fiscal year 1993?

Mr. SCHROETER. USDA has so far allocated approximately 94,430 metric tons of various commodities to Sudan, with an estimated value of $32.67 million. These costs cover commodity costs, freight, and other related transport costs. In fiscal year 1992, the donation was 75,430 metric tons, and 19,000 metric tons of commodities in

fiscal year 1993 commitments. There are reports of a large harvest of sorghum in Sudan with talk of large exports. We are watching the situation closely, and encouraging the Sudan to provide adequate sorghum for meeting critical needs in the southern part of the country. Transportation remains a critical problem.

### SUB-SAHARAN AFRICA

Mr. DURBIN. You might describe for the Committee the overall situation in sub-Saharan Africa and tell what demands this will place on the Title II program.

Mr. SCHROETER. Civil strife and natural disasters in Africa have affected the majority of sub-Saharan African countries in the last two years. Based on data from U.S. A.I.D. food aid for fiscal year 1992 was approximately $292 million, and for fiscal year 1993 program approvals to date have already reached $227 million. Severe actual and potential civil strife persists across Africa. Apart from the most publicized one in Somalia, there are active conflicts in Angola, Liberia, Rwanda, Sudan, Togo, and Zaire. The situation is still fragile in Ethiopia, Eritrea, and Mozambique. Many sub-Sahara countries host significant refugee populations from the conflicts of neighboring countries. Over half of the world's refugees are in Africa. Estimates of internally displaced people in Africa run on the order of fifteen million. It appears the southern Africa region is emerging from one of the most severe droughts ever experienced in its history, but it is too early to declare an end to the drought. The Sahel region is vulnerable to periodic drought and pests.

According to U.S. A.I.D., the situation in sub-Saharan African countries will continue to require significant Title II emergency assistance in fiscal year 1993. Emergencies worldwide accounted for over 47 percent of the entire Title II budget in fiscal year 1992 and most of this emergency assistance was in response to drought, famine, and civil strive in Africa.

### TITLE III—GRANT PROGRAM

Mr. DURBIN. During calendar year 1992, what grant agreements were signed under Title III and in what amounts?

Mr. SCHROETER. I will provide information on fiscal year 1992 for the record.

[The information follows:]

Public Law 480 Title III
Total Commodities Shipped by Country
Fiscal Year 1992

| Country | Total Program Level | Commodity Value($Mil) | Freight Value($Mil) | Wheat | Wheat Flour | Rice | Corn | Beans | Vegoil | Cotton | Tallow | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Metric Tons (000) | | | | | | | | |
| AFRICA | 137.2 | 87.5 | 49.7 | 36.9 | 0.0 | 90.6 | 444.3 | | | | 6.0 | 582.5 |
| Ethiopia | 15.0 | 10.8 | 4.2 | 30.0 | | | | | | 4.7 | | 34.7 |
| Ghana | 7.0 | 5.7 | 1.3 | | | 20.6 | | | | | | 20.6 |
| Guinea | 8.0 | 5.5 | 2.5 | | | 20.4 | | | | | | 20.4 |
| Mali | 2.8 | 0.9 | 1.9 | 6.9 | | | | | | | | 6.9 |
| Mozambique | 49.3 | 26.9 | 22.4 | | | 5.0 | 241.3 | | | | | 246.3 |
| Senegal | 18.0 | 13.9 | 4.1 | | | 44.6 | | | | | | 44.6 |
| Uganda | 4.1 | 2.1 | 2.0 | | | | | | | | 6.0 | 6.0 |
| Zambia | 33.0 | 21.7 | 11.3 | | | | 203.0 | | | | | 203.0 |
| ASIA | 129.1 | 99.0 | 30.1 | 563.3 | | | | | | | | 610.5 |
| Bangladesh | 58.2 | 43.2 | 15.0 | 300.9 | | | | | | | | 300.9 |
| India | 25.0 | 22.2 | 2.8 | | | | | | 47.2 | | | 47.2 |
| Sri Lanka | 45.9 | 33.6 | 12.3 | 262.4 | | | | | | | | 262.4 |
| LATIN AMERICA | 64.1 | 53.5 | 10.6 | 373.2 | 0.0 | | | 0.0 | | 0.0 | | 373.2 |
| Bolivia | 25.1 | 22.4 | 2.7 | 153.9 | | | | | | | | 153.9 |
| Honduras | 14.0 | 12.0 | 2.0 | 76.8 | | | | | | | | 76.8 |
| Peru | 25.0 | 19.1 | 5.9 | 142.5 | | | | | | | | 142.5 |
| WORLDWIDE | 330.4 | 240.0 | 90.4 | 973.4 | 0.0 | 90.6 | 444.3 | 0.0 | | 0.0 | 6.0 | 1,566.2 |

Mr. DURBIN. Please describe how these Title III funds are used.

Mr. SCHROETER. The Title III program under P.L. 480—managed by the Agency for International Development—is an all-grant program used in ways which are integrated into the overall development strategy of A.I.D. missions at the country level. Title III resources are especially intended to benefit the poorest countries, and thus several criteria were established in section 302 to define the "least developed countries" that may benefit from Title III. For fiscal year 1992, 56 countries were identified as "least developed" and thus eligible for Title III food; 36 in Africa, 14 in Asia and 6 in Latin America and the Caribbean. Fourteen Title III agreements for 1.5 million metric tons of food, valued at approximately $330.4 million, were in operation in 1992. I will submit a table for the record which provides details on country and commodity allocations for fiscal year 1992.

[The information follows:]

USE OF P.L. 480 TITLE III LOCAL CURRENCIES BY COUNTRY

Title III commodities are sold in the recipient country to generate local currencies which are used to support the Agency for International Development development strategy in the country. Examples of the use of funds at the country level are as follows:

Ethiopia.—Funding supports programs to change general food subsidies to targeted safety net; expand the role of private traders and entrepreneurs; and to expand industrial capacity to increase post-war employment.

Ghana.—Funding promotes increased agricultural marketing, particularly for crops. The program supports policy reforms to restructure government expenditures to ensure rural road maintenance.

Mali.—Program funding supports price liberalization in the basic cereal markets, provides a safety net for difficult policy reforms; it increased cereal availability for consumers as producer's responded to price incentives.

Mozambique.—Funding supports market liberalization and promotes a targeted safety net to enhance the food security of the poor by replacing an inefficient and not-targeted rationing system.

Senegal.—Funding supported politically sensitive and yet essential policy reforms in natural resource management in order to halt degradation of the fragile resource base, the major constraint to food security in Senegal.

Uganda.—Funding promotes increased employment and incomes in order to improve access to available food by poorer Ugandans. The program supports regulatory policy reforms which will liberalize the agro-business sector.

Zambia.—Supports price reforms in cereals. The new government is committed to cereals price liberalization and is implementing the reforms more quickly than originally anticipated, even in the face of drought.

Bangladesh.—The program uses Title III wheat, to fill a gap between demand and local production. Local currencies generated and used to improve food security through increased economic growth and to improve public sector investment and management.

India.—Supports the economic reform process by introducing an auction mechanism for the P.L. 480 commodity (vegetable oil); facilitates the introduction of an "exit policy" for failing firms by creating a safety net program for retrenched workers; and provides credit to small and medium agro-industries.

Sri Lanka.—Local currencies generated by the sale of wheat supports the government's actions on policy reforms designed to reduce government bureaucracy and strengthen the private sector; encourages technology transfer; increases agricultural productivity and exports; and improves the efficiency of food-grain marketing.

Bolivia.—The program supports environment and natural resource policy reforms, increased domestic agricultural production and marketing, rural development activities, including maternal and child health and nutrition, and increased private sector participation.

Honduras.—The program funds will play a significant role in supporting a continuation and deepening of the reforms in the agricultural sector needed to achieve overall economic growth, prosperity, and food security.

Peru.—The program will be used to respond to humanitarian needs of the Peruvian people most vulnerable to disease and a lack of food.

USDA/A.I.D. RELATIONSHIP

Mr. DURBIN. For Titles I, II, and III please describe for the Committee your role and the role of A.I.D. in carrying out these programs.

Mr. SCHROETER. The 1990 FACT Act assigned responsibility for administering the P.L. 480 Title I program to the Secretary of Agriculture, and responsibility for Titles II and III to the Administrator of A.I.D. An Executive Order was published in February 1991, which formalized the separation of functions. The two agencies exchange information about budgeted program dollar levels, and coordinate problem solving when the activities or functions of one may affect the other. For example, our Agricultural Counselor in New Delhi and the USAID Mission in Colombo have coordinated on the concurrent administration of both programs in Sri Lanka. The commodity operations arm of USDA's Agricultural Stabilization and Conservation Service purchases commodities for A.I.D. under Titles II and III, because it performs that function for the Commodity Credit Corporation, and the Foreign Agricultural Service has tried to help A.I.D. where it can with commodity data needed to establish usual marketing requirements in Title III agreements.

Mr. DURBIN. You might also describe the role of the two agencies in carrying out the section 416 program.

Mr. SCHROETER. For a number of years during the Reagan and Bush administrations A.I.D. administered Section 416(b) programs abroad under a memorandum of understanding between our two agencies, but that memorandum was withdrawn late in calendar 1991. Currently, the grains in CCC inventories available for section 416(b) programs are allocated primarily to the World Food Program, and A.I.D. and USDA coordinate closely on overall U.S. Government assistance to the WFP. A.I.D. has also continued to administer section 416(b) programs for us in Africa, where the the commodity resources closely complement their developmental objectives. But in other areas USDA is negotiating agreements directly with governments and private voluntary agencies, and relying on those cooperating sponsors for monitoring reports without involving A.I.D.

SECTION 416(b)

Mr. DURBIN. During calendar year 1992, what commodities were distributed under section 416(b) and what countries received these commodities?

Mr. SCHROETER. For fiscal year 1992, commodities made available by the Secretary included nonfat dry milk, frozen salted butter, butteroil, corn and sorghum. I will provide a table that illustrates a complete breakdown of which country received commodities, and which commodities they received.

[The information follows:]

TABLE II



SECTION 416(b) FOREIGN DONATION COMMITMENTS
ACTION SUMMARY BY COUNTRY, SPONSOR, AND COMMODITY
FISCAL YEAR 1992 (OCTOBER 1,1991 – SEPTEMBER 30,1992)
ACTUAL METRIC TONS
FINAL

| NO. | Destination | Sponsor | NFDM | Butter | Butteroil | Butter Equivalent | Corn | Sorghum | Total Quantity | Farm Bill Prov. Sales (Metric Tons) |
|---|---|---|---|---|---|---|---|---|---|---|
| I. AGREEMENTS SIGNED | | | | | | | | | | |
| REGULAR 416 | | | | | | | | | | |
| 2118 | ARMENIA<br>DOACA 12-20-91<br>USDA 12-20-91 | DOACA | 2,150.0 | 4,300.0 | 1,150.0 | 1,437.5 | 0.0 | 0.0 | 7,600.0 | 0.0 |
| 2116-A | ARMENIA<br>DOACA 5-7-92<br>USDA 5-4-92 | DOACA | 600.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 600.0 | 0.0 |
| 2116-B | ARMENIA<br>DOACA 8-24-92<br>USDA 8-27-92 | DOACA | (600.0) | 0.0 | 600.0 | 750.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2117 | ARMENIA<br>WVRD 2-6-92<br>USDA 2-6-92 | WVRD | 600.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 600.0 | 0.0 |
| | | SUB-TOTAL | 2,750.0 | 4,300.0 | 1,750.0 | 2,187.5 | 0.0 | 0.0 | 8,800.0 | 0.0 |
| 2126 | BELARUS<br>CITIHOPE 3-23-93<br>USDA 3-23-92 | CITIHOPE | 200.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 200.0 | 0.0 |
| 2143 | BELARUS<br>GOB 9-18-92<br>USDA 9-18-92 | GO3 | 0.0 | 0 | 5,000.0 | 6,250.0 | 0.0 | 0.0 | 5,000.0 | 0.0 |
| | | SUB-TOTAL | 200.0 | 0.0 | 5,000.0 | 6,250.0 | 0.0 | 0.0 | 5,200.0 | 0.0 |

SECTION 416(b) FOREIGN DONATION COMMITMENTS
ACTION SUMMARY BY COUNTRY, SPONSOR, AND COMMODITY
FISCAL YEAR 1992 (OCTOBER 1,1991 - SEPTEMBER 30,1992)
ACTUAL METRIC TONS
FINAL

| NO. | Destination | Sponsor | NFDM | Butter | Butteroil | Butter Equivalent | Corn | Sorghum | Total Quantity | Farm Bill Prov. Sales (Metric Tons) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2782 | ALBANIA<br>GOA 6-29-92<br>USDA 7-29-92 | GOA | 0.0 | 4,200.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,200.0 | 4,200.0 |
| 2121 | BRAZIL<br>AMERI/CARES 3-20-92<br>USDA 3-26-92 | AMERI/CARES | 54.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 54.0 | 0.0 |
| 2644 | ESTONIA<br>GOE 12-17-91<br>USDA 12-17-91 | | 0.0 | 0.0 | 0.0 | 0.0 | 100,000.0 | 0.0 | 100,000.0 | 100,000.0 |
| 2135 | ETHIOPIA<br>CRS 5-8-92<br>USDA 5-12-92 | CRS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15,000.0 | 15,000.0 | 0.0 |
| 2141 | GEORGIA<br>SMOM 7-8-92<br>USDA 7-8-92 | SMOM | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | 0.0 |
| 2657 | JAMAICA<br>GOJ 6-18-92<br>USDA 6-24-92 | GOJ | 0.0 | 0.0 | 0.0 | 0.0 | 45,000.0 | 0.0 | 45,000.0 | 45,000.0 |
| 2652 | JORDAN<br>GOJ 5-20-92<br>USDA 5-26-92 | GOJ | 0.0 | 0.0 | 0.0 | 0.0 | 30,000.0 | 70,000.0 | 100,000.0 | 100,000.0 |
| 2137 | KAZAKHSTAN<br>MCI 6-30-92<br>USDA 7-2-92 | MCI | 0.0 | 0.0 | 4,000.0 | 5,000.0 | 0.0 | 0.0 | 4,000.0 | 4,000.0 |
| 2645 | LATVIA<br>GOL 12-31-91<br>USDA 12-31-91 | GOL | 0.0 | 0.0 | 0.0 | 0.0 | 100,000.0 | 0.0 | 100,000.0 | 100,000.0 |

TABLE II

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SECTION 416(b) FOREIGN DONATION COMMITMENTS
ACTION SUMMARY BY COUNTRY, SPONSOR, AND COMMODITY
FISCAL YEAR 1992 (OCTOBER 1,1991 - SEPTEMBER 30,1992)
ACTUAL METRIC TONS
FINAL

| NO. | Destination | Sponsor | NFDM | Butter | Butteroil | Butter Equivalent | Corn | Sorghum | Total Quantity | Farm Bill Prov. Sales (Metric Tons) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2646 | LITHUANIA GOL 12-23-91 USDA 12-23-91 | GOL | 0.0 | 0.0 | 0.0 | 0.0 | 100,000.0 | 0.0 | 100,000.0 | 100,000.0 |
| 2140 | MALI GOM 9-9-92 USDA 9-9-92 | GOM | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,000.0 | 4,000.0 | 0.0 |
| 2139 | PERU CARE 9-11-92 USDA 9-15-92 | CARE | 0.0 | 0.0 | 540.0 | 675.0 | 18,000.0 | 20,000.0 | 38,540.0 | 38,540.0 |
| 2647 | POLAND GOP 1-24-92 USDA 1-30-92 | GOP | 0.0 | 16,000.0 | 0.0 | 0.0 | 0.0 | 0.0 | 16,000.0 | 16,000.0 |
| | | SUB-TOTAL | 154.0 | 20,200.0 | 4,540.0 | 5,675.0 | 393,000.0 | 109,000.0 | 526,894.0 | 507,740.0 |
| 2128 | MEXICO IPHD 3-23-92 USDA 3-26-92 | IPHD | 1,600.0 | 0.0 | 1,000.0 | 1,250.0 | 10,000.0 | 0.0 | 12,600.0 | 0.0 |
| 2136 | MEXICO SHARE 6-24-92 USDA 7-1-92 | SHARE | 1,500.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,500.0 | 1,500.0 |
| 2144 | MEXICO PCB-18-92 USDA 9-23-92 | PCI | 400.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 400.0 | 0.0 |
| 2658 | MEXICO DIF 6-11-92 USDA 6-17-92 | DIF | 2,000.0 | 0.0 | 2,000.0 | 2,500.0 | 0.0 | 0.0 | 4,000.0 | 0.0 |
| | | SUB-TOTAL | 5,500.0 | 0.0 | 3,000.0 | 3,750.0 | 10,000.0 | 0.0 | 18,500.0 | 1,500.00 |

TABLE II

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SECTION 416(b) FOREIGN DONATION COMMITMENTS
ACTION SUMMARY BY COUNTRY, SPONSOR, AND COMMODITY
FISCAL YEAR 1992 (OCTOBER 1, 1991 – SEPTEMBER 30, 1992)
ACTUAL METRIC TONS
FINAL

| NO. | Destination | Sponsor | NFDM | Butter | Butteroil | Butter Equivalent | Corn | Sorghum | Total Quantity | Farm Bill Prov. Sales (Metric Tons) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2118 | RUSSIA<br>BBF 1-13-92<br>USDA 1-13-92 | BBF | 400.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 400.0 | 0.0 |
| 2122 | RUSSIA<br>BBF 2-10-92<br>USDA 2-10-92 | BBF | 2,670.0 | 0.0 | 1,000.0 | 1,250.0 | 0.0 | 0.0 | 3,670.0 | 0.0 |
| 2123 | RUSSIA<br>AJJDC 2-5-92<br>USDA 2-5-92 | AJJDC | 935.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 935.0 | 0.0 |
| 2124 | RUSSIA<br>ADRA 2-10-92<br>USDA 2-10-92 | ADRA | 1,560.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,560.0 | 0.0 |
| 2125 | RUSSIA<br>CRS 2-6-92<br>USDA 2-6-92 | CRS | 7,200.0 | 0.0 | 3,600.0 | 4,500.0 | 0.0 | 0.0 | 10,800.0 | 0.0 |
| 2131 | RUSSIA<br>CARE 3-20-92<br>USDA 3-20-92 | CARE | 1,000.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,000.0 | 0.0 |
| 2648 | RUSSIA<br>GOR 6-2-92<br>USDA 6-2-92 | GOR | 0.0 | 21,000.0 | 0.0 | 0.0 | 0.0 | 0.0 | 21,000.0 | 21,000.0 |
| | | SUB-TOTAL | 13,765.0 | 21,000.0 | 4,600.0 | 5,750.0 | 0.0 | 0.0 | 39,365.0 | 21,000.0 |
| 2132 | SUDAN<br>CARE 5-8-92<br>USDA 5-12-92 | CARE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26,000.0 | 26,000.0 | 0.0 |

SECTION 416(b) FOREIGN DONATION COMMITMENTS
ACTION SUMMARY BY COUNTRY, SPONSOR, AND COMMODITY
FISCAL YEAR 1992 (OCTOBER 1,1991 - SEPTEMBER 30,1992)
ACTUAL METRIC TONS
FINAL

| NO. | Destination | Sponsor | NFDM | Butter | Butteroil | Butter Equivalent | Corn | Sorghum | Total Quantity | Farm Bill Prov. Sales (Metric Tons) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2133 | SUDAN<br>ADRA 5-6-92<br>USDA 5-6-92 | ADRA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 14,000.0 | 14,000.0 | 0.0 |
| 2134 | SUDAN<br>SCF 5-6-92<br>USDA 5-6-92 | SCF | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15,430.0 | 15,430.0 | 0.0 |
| | | SUB-TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 55,430.0 | 55,430.0 | 0.0 |
| 2130 | TURKMENISTAN<br>ARC 3-6-92<br>USDA 3-6-92 | ARC | 1,800.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,800.0 | 0.0 |
| 2654 | ZAMBIA<br>GOZ 5-5-92<br>USDA 5-5-92 | GOZ | 0.0 | 0.0 | 0.0 | 0.0 | 80,000.0 | 0.0 | 80,000.0 | 64,000.0 |
| 2655 | ZIMBABWE<br>GOZ 7-22-92<br>USDA 7-28-92 | GOZ | 0.0 | 0.0 | 0.0 | 0.0 | 58,000.0 | 50,000.0 | 108,000.0 | 0.0 |
| | | SUB-TOTAL | 1,800.0 | 0.0 | 0.0 | 0.0 | 138,000.0 | 50,000.0 | 189,800.0 | 64,000.0 |
| REG. 416 SUB-TOTAL | | | 24,169.0 | 45,500.0 | 18,890.0 | 23,612.5 | 541,000.0 | 214,4[illegible]0.0 | 843,989.0 | 594,240.0 |
| FOOD FOR PROGRESS | | | | | | | | | | |
| 2001 | ALBANIA<br>GOA 9-20-91<br>USDA 9-26-91 | GOA | 2,000.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,000.0 | 2,000.0 |

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SECTION 416(b) FOREIGN DONATION COMMITMENTS
ACTION SUMMARY BY COUNTRY, SPONSOR, AND COMMODITY
FISCAL YEAR 1992 (OCTOBER 1,1991 – SEPTEMBER 30,1992)
ACTUAL METRIC TONS
FINAL

| NO. | Destination | Sponsor | NFDM | Butter | Butteroil | Butter Equivalent | Corn | Sorghum | Total Quantity | Farm Bill Prov. Sales (Metric Tons) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2001-A | ALBANIA<br>GOA 11-19-91<br>USDA 11-19-91 | GOA | 0.0 | 4,000.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,000.0 | 4,000.0 |
| | | SUB-TOTAL | 2,000.0 | 4,000.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6,000.0 | 6,000.0 |
| FOOD FOR PROGRESS SUB-TOTAL | | | 2,000.0 | 4,000.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6,000.0 | 6,000.0 |
| WORLD FOOD PROGRAM | | | | | | | | | | |
| 4945 | ANGOLA | EMOP f/ | 0.0 | 0.0 | 0.0 | 0.0 | 20,000.0 | 0.0 | 20,000.0 | 0.0 |
| 4856 | ETHIOPIA | PRO e/ | 0.0 | 0.0 | 2,000.0 | 2,500.0 | 0.0 | 0.0 | 2,000.0 | 0.0 |
| 5046 | KENYA | EMOP | 0.0 | 0.0 | 0.0 | 0.0 | 24,500.0 | 0.0 | 24,500.0 | 0.0 |
| 5046/01 | KENYA | EMOP | 0.0 | 0.0 | 0.0 | 0.0 | 20,000.0 | 0.0 | 20,000.0 | 0.0 |
| 5052 | LESOTHO | EMOP | 0.0 | 0.0 | 0.0 | 0.0 | 5,000.0 | 0.0 | 5,000.0 | 0.0 |
| 4984 | MADAGASCAR | EMOP | 0.0 | 0.0 | 0.0 | 0.0 | 5,500.0 | 0.0 | 5,500.0 | 0.0 |
| 5091 | MADAGASCAR | WFP | 0.0 | 0.0 | 0.0 | 0.0 | 20,000.0 | 0.0 | 20,000.0 | 0.0 |
| 4162/02 | MALAWI | PRO | 0.0 | 0.0 | 0.0 | 0.0 | 60,000.0 | 0.0 | 60,000.0 | 0.0 |
| 4162 | MALAWI | PRO | 0.0 | 0.0 | 0.0 | 0.0 | 138,000.0 | 0.0 | 138,000.0 | 0.0 |
| 5053 | MALAWI | EMOP | 0.0 | 0.0 | 0.0 | 0.0 | 40,000.0 | 0.0 | 40,000.0 | 0.0 |
| 4164/02 | MOZAMBIQUE | PRO | 0.0 | 0.0 | 0.0 | 0.0 | 90,000.0 | 0.0 | 90,000.0 | 0.0 |
| 5054 | MOZAMBIQUE | EMOP | 0.0 | 0.0 | 0.0 | 0.0 | 110,000.0 | 0.0 | 110,000.0 | 0.0 |
| 5055 | NAMIBIA | EMOP | 0.0 | 0.0 | 0.0 | 0.0 | 10,000.0 | 0.0 | 10,000.0 | 0.0 |

TABLE III

15-Jan-93

SECTION 416(b) FOREIGN DONATION COMMITMENTS
FISCAL YEAR 1992 (BEGINNING OCTOBER 1, 1991 - SEPTEMBER 30, 1992)
(THOUSANDS OF DOLLARS)
FINAL

| NO. | Destination | Sponsor | NFDM | Butter | Butteroil | Butter Equivalent | Corn | Sorghum | Value | Sales b/ |
|---|---|---|---|---|---|---|---|---|---|---|
| I. AGREEMENTS SIGNED | | | | | | | | | | |
| REGULAR 416 | | | | | | | | | | |
| 2782 | ALBANIA | GOA | 0.0 | 5,880.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5,880.0 | 5,880.0 |
| 2116 | ARMENIA | DOACA | 3,655.0 | 5,375.0 | 2,127.5 | 0.0 | 0.0 | 0.0 | 11,157.5 | 0.0 |
| 2116-A | ARMENIA | DOACA | 1,020.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,020.0 | 0.0 |
| 2116-B | ARMENIA | DOACA | (1,020.0) | 0.0 | 1,110.0 | 0.0 | 0.0 | 0.0 | 90.0 | 0.0 |
| 2117 | ARMENIA | WVRD | 1,020.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,020.0 | 0.0 |
| 2126 | BELARUS | CITIHOPE | 340.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 340.0 | 0.0 |
| 2143 | BELARUS | GOB | 0.0 | 0.0 | 9,250.0 | 0.0 | 0.0 | 0.0 | 9,250.0 | 0.0 |
| 2121 | BRAZIL | AMERI/CARES | 91.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 91.8 | 0.0 |
| 2644 | ESTONIA | GOE | 0.0 | 0.0 | 0.0 | 0.0 | 9,800.0 | 0.0 | 9,800.0 | 9,800.0 |
| 2135 | ETHIOPA | CRS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,380.0 | 1,380.0 | 0.0 |
| 2141 | GEORGIA | SMON | 170.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 170.0 | 0 |
| 2657 | JAMAICA | GOJ | 0.0 | 0.0 | 0.0 | 0.0 | 4,410.0 | 0.0 | 4,410.0 | 4,410.0 |
| 2652 | JORDAN | GOJ | 0.0 | 0.0 | 0.0 | 0.0 | 2,940.0 | 6,4[illegible]0.0 | 9,380.0 | 9,380.0 |
| 2137 | KAZAKHSTAN | MCI | 0.0 | 0.0 | 7,400.0 | 0.0 | 0.0 | 0.0 | 7,400.0 | 7,400.0 |
| 2645 | LATVIA | GOL | 0.0 | 0.0 | 0.0 | 0.0 | 9,800.0 | 0.0 | 9,800.0 | 9,800.0 |
| 2646 | LITHUANIA | GOL | 0.0 | 0.0 | 0.0 | 0.0 | 9,800.0 | 0.0 | 9,800.0 | 9,800.0 |
| 2140 | MALI | GOM | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 368.0 | 368.0 | 368.0 |

### SEC. 416(b) TERMS AND CONDITIONS

Mr. DURBIN. What are the terms and conditions for distributing section 416(b) commodities?

Mr. SCHROETER. Section 416(b) commodities are made available for distribution through foreign governments, public and nonprofit humanitarian organizations, cooperatives, and international organizations. These donations are coordinated with and complement other United States foreign assistance efforts as well as private sector trade. In the case of government-to-government programs and/or when significant sales of the donated commodities are authorized, precautions are taken to assure that commercial trade is not disrupted. Priority consideration is given to the donation of commodities to support activities designed to meet emergency situations, followed by non-emergency humanitarian feeding activities, and finally, activities using monetized proceeds. The recipient country must have the absorptive capacity to use the commodities efficiently and effectively.

Mr. DURBIN. Are all of the section 416(b) commodities distributed from CCC inventory, or does USDA purchase any commodities for distribution under this section?

Mr. SCHROETER. Section 416(b) of the Agricultural Act of 1949, as amended, authorizes the Commodity Credit Corporation to donate agricultural commodities from CCC-owned inventory. In carrying out section 416(b) of the Agricultural Act of 1949, the CCC may purchase commodities for use under the Food for Progress Act of 1985, as amended, when CCC does not hold stocks of requested commodities, or when CCC stocks are insufficient to satisfy commitments made in Food for Progress agreements and these commodities are needed to fulfill commitments. This authority to purchase commodities applies to Food for Progress programs only.

Mr. DURBIN. Do you have authority to pay any transportation costs under section 416(b), and if so, what were the transportation costs associated with this program during fiscal year 1992?

Mr. SCHROETER. The Commodity Credit Corporation typically pays for ocean and inland transportation costs in all section 416(b) programs with private Voluntary Organizations. Programs signed with foreign governments call for the recipient country to pay for those transportation costs. CCC normally reimburses recipient countries for the ocean freight differential, which is the amount by which freight costs are higher due to compliance with United States cargo preference requirements. In some cases of donations under government-to-government agreements, CCC will pay freight costs upon submission of evidence of either the inability to pay, or of the extreme hardship caused by the payment of such costs by the recipient country.

The authority to pay ocean and inland transportation costs is contained in the operational regulations for the program. These regulations are currently being updated to reflect USDA's resumption of sole responsibility for all section 416(b) programming.

As of January 30, 1993, the U.S. Government had paid approximately $219.0 million for fiscal year 1992 transportation costs. USDA is still receiving and processing transport bills for fiscal year 1992 programs.

FOOD FOR PROGRESS

Mr. DURBIN. What is the difference between the regular section 416(b) program and the Food for Progress program?

Mr. SCHROETER. Under the regular section 416(b) program CCC-owned commodities are provided to the cooperating sponsors in addressing the humanitarian needs of developing countries. Commodities may be used for direct distribution or may be sold with the generated local currencies used to benefit the needy. The generated currencies may not be used for overhead or administrative costs.

Under the Food for Progress Program food resources support developing countries and countries that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution, and private sector involvement. CCC may provide financial assistance to cooperating sponsors in the administration, sale, and monitoring of food assistance programs to strengthen private sector agriculture.

AMOUNTS MONETIZED

Mr. DURBIN. What amounts were monetized, by country, and for what purpose, during fiscal year 1992?

Mr. SCHROETER. During fiscal year 1992, 13 agreements were signed between the Department of Agriculture and foreign governments or private voluntary organizations containing provisions for monetization of the donated commodities. These monetization programs amounted to 596,240 metric tons, or approximately 37 percent of the total tonnage made available for donation.The commodities donated and the proceeds generated from their sale benefited needy people in the recipient countries. The section 416(b) programs provided assistance by encouraging employment generation, market based policy reforms, and improved nutritional and primary educational goals for needy families and individuals.

[The information follows:]

AMOUNTS MONETIZED

| | COMMODITIES (ACTUAL METRIC TONS) | | | | | |
|---|---|---|---|---|---|---|
| COUNTRY | BUTTEROIL | BUTTER | CORN | SORGHUM | NFDM | TOTAL |
| Albania 1/ | | 4,200 | | | 2,000 | 6,200 |
| Estonia 2/ | | | 100,000 | | | 100,000 |
| Jamaica 3/ | | | 45,000 | | | 45,000 |
| Jordan 4/ | | | 30,000 | 70,000 | | 100,000 |
| Kazakhstan 5/ | 4,000 | | | | | 4,000 |
| Latvia 6/ | | | 100,000 | | | 100,000 |
| Lithuania 7/ | | | 100,000 | | | 100,000 |
| Mexico 8/ | | | | | 1,500 | 1,500 |
| Peru 9/ | 540 | | 18,000 | 20,000 | | 38,540 |
| Poland 10/ | | 16,000 | | | | 16,000 |
| Russia 11/ | | 21,000 | | | | 21,000 |
| Zambia 12/ | | | 64,000 | | | 64,000 |
| TOTALS | 4,540 | 41,200 | 457,000 | 90,000 | 3,500 | 596,240 |

FOLLOWING ARE USES OF GENERATED LOCAL CURRENCY BY COUNTRY:

1/ - Albania: the generated funds were used to provide food assistance to the needy and to fund developmental activities primarily in the agricultural sector including health and nutritional programs.

2/ - Estonia: generated funds were used to assist in the development of the country's private sector agricultural economy. Proceeds used to purchase farm implements and cleaning stations for seeds, and provided credit to private farmers engaged in grain production.

3/ - Jamaica: the generated funds were used to increase the value of the government food stamp program for needy individuals.

4/ - Jordan: generated funds were used to promote private sector agricultural production.

5/ - Kazakhstan: generated currencies were used to assist the needy, promote private-sector initiatives in agriculture, and to support primary health care training.

6/ - Latvia: The generated currencies were used to assist in the development of the country's private sector agricultural economy.

7/ - Lithuania: The generated currencies were used to assist in the development of the country's private sector agricultural economy.

8/ - Mexico/Share: funds were used in support of income generation activities for the needy people in Mexico.

9/ - Peru: generated proceeds were used to provide food assistance to the needy through employment generation projects and to fund activities to improve the country's agricultural sector.

10/ - Poland: The generated funds were used to provide food assistance to the needy and to fund developmental activities, primarily in the agricultural sector. Activities include health and nutritional programs and programs to promote increased agricultural productivity.

11/ - Russia: The generated proceeds were used to assist the neediest segments of the Russian federation's population.

12/ - Zambia: The generated currencies were used to provide food assistance to the needy.

Mr. DURBIN. What difference is there in the way Title III and section 416 operate other than Title III is a direct appropriation and section 416 is open-ended?

Mr. SCHROETER. As you note, P.L. 480 is funded through appropriated funds, while section 416(b) donations are carried out with CCC funds. Another principal difference is that Title III commodities are purchased off the open market, and are selected from the list of commodities determined to be available for Public Law 480 programs. Section 416 commodities are donated from commodity inventories held by the Commodity Credit Corporation, and in recent years those inventories have been more limited than the P.L. 480 availability list. A.I.D's Title III agreement typically are multi-year commitments, while section 416 programs tend not to exceed one year, because we are uncertain of what commodity inventories will be in future years. Finally, the development programs of Title III also require more direct involvement by A.I.D's field personnel, while we try to operate section 416 programs using the personnel of our cooperating sponsors—PVO's or participating governments.

### SECTION 416(b) DONATIONS

Mr. DURBIN. Please list for the record the total amount of section 416(b) commodities donated, by fiscal year, since fiscal year 1983. Please estimate the market value of those commodities for each fiscal year.

Mr. SCHROETER. I will provide a table that reflects the amount of commodities donated, in metric tons, showing information for each of the years requested.

[The information follows:]

SECTION 416(B) COMMODITY DONATIONS

[Metric tons and dollar value per fiscal year]

| | Metric tons | Estimated world market value of commodities |
|---|---|---|
| Fiscal Year: | | |
| 1983 | 83,110 | $79,490,700 |
| 1984 | 171,210 | 158,900,000 |
| 1985 | 146,763 | 129,800,000 |
| 1986 | 335,696 | 125,000,000 |
| 1987 | 1,425,397 | 246,796,200 |
| 1988 | 1,795,394 | 193,925,600 |
| 1989 | 801,493 | 97,969,200 |
| 1990 | 1,745,154 | 164,686,400 |
| 1991 | 1,833,211 | 260,772,000 |
| 1992 | 1,618,489 | 317,907,400 |
| Total | 9,955,917 | 1,775,247,500 |

Mr. DURBIN. During calendar year 1992, how much was paid to foreign governments to reimburse them for the ocean freight differential due to compliance with the United States cargo preference requirements?

Mr. SCHROETER. We paid about $29.2 million in ocean freight differential for fiscal year 1992 donations under section 416(b). For

this program, the Commodity Credit Corporation usually pays the total freight directly to the ocean carrier. This includes any ocean freight differential; therefore, there is no need to reimburse the cooperating sponsor—which may be a foreign government or a private voluntary organization—for ocean freight differential.

SUNFLOWERSEED OIL ASSISTANCE PROGRAM

Mr. DURBIN. Please describe what has happened under the Sunflowerseed Oil Assistance Program during calendar year 1992.

Mr. SCHROETER. Since the Sunflowerseed Oil Assistance Program—SOAP—operates on a fiscal year basis, it would be more meaningful for me to describe what happened under the program in fiscal year 1992. On November 14, 1991, USDA announced the fiscal year 1992 allocations under the SOAP to encourage sales of 190,000 metric tons of sunflowerseed oil to six countries. During the year, additional allocations are announced for 155,000 metric tons of sunflowerseed oil. Bonuses of $20.8 million supported the sale of 238,760 metric tons of sunflowerseed oil—nearly triple the amount sold in fiscal year 1991—under the SOAP in fiscal year 1992.

Mr. DURBIN. What are your plans for 1993?

Mr. SCHROETER. FAS is continuing to operate the SOAP is fiscal year 1993. On October 5, 1992, USDA announced the fiscal year 1993 allocations under the SOAP to encourage sales of 365,000 metric tons of sunflowerseed oil to seven countries. As of February 18, bonuses of $16.0 million have supported the sale of 117,430 metric tons of sunflowerseed oil under SOAP.

COTTONSEED OIL ASSISTANCE PROGRAM

Mr. DURBIN. Please describe what has happened during calendar year 1992 under the Cottonseed Oil Assistance Program.

Mr. SCHROETER. Since the Cottonseed Oil Assistance Program—COAP—operates on a fiscal year basis, it would be more meaningful for me to describe what happened under the program in fiscal year 1992. On November 14, 1991, USDA announced the fiscal year 1992 allocations under the COAP to encourage sales of 140,000 metric tons of cottonseed oil to five countries. During the year, additional allocations were announced for 45,000 metric tons of cottonseed oil. Bonuses of $2.7 million supported the sale of 42,600 metric tons of cottonseed oil—20 percent above the amount sold in fiscal year 1991—under the COAP in fiscal year 1992.

Mr. DURBIN. What are your plans for 1993?

Mr. SCHROETER. FAS is continuing to operate the program in fiscal year 1993. On October 5, 1992, USDA announced the fiscal year 1993 allocations under the COAP to encourage sales of 205,000 metric tons of cottonseed oil to eight countries. As of February 18, bonuses of $4.6 million have supported the sale of 27,227 metric tons of cottonseed oil under COAP.

FOOD SHOWS

Mr. DURBIN. What international or national food shows were sponsored by FAS during calendar 1992? Also indicate the location, dates, and purpose of each show.

Mr. SCHROETER. FAS sponsored seven shows in 1992 and is planning four shows in 1993. I will provide for the record a table listing the name of the show, its location and dates.

[The information follows:]

FAS-SPONSORED FOOD SHOWS

[Calendar 1992]

| Show name | Location | Dates |
|---|---|---|
| 1. Middle East Food & Equipment Exposition | Bahrain | January 11–14. |
| 2. Alimentaria | Barcelona, Spain | March 7–12. |
| 3. Food & Hotel Asia | Singapore | April 7–10. |
| 4. Great American Food Show | Singapore | April 14–16. |
| 5. American Food Fair | Seoul, Korea | September 22–24. |
| 6. American Food Fair | Hong Kong | September 28–29. |
| 7. Salon International de l'Alimentation | Paris, France | October 25–29. |

The purpose of all FAS-sponsored shows is to increase food and beverage exports by providing a forum for U.S. exporters to present their products to foreign buyers. The trade show program helps individual companies achieve their particular marketing objectives, such as making new trade contracts, negotiating sales, reinforcing existing trade contacts, finding foreign agents or distributors, showing products to expand consumer awareness, market testing, introducing new products and assessing foreign competition.

Mr. DURBIN. Have you now put in place the regulations to cover the full cost recovery from U.S. firms participating in food shows?

Mr. SCHROETER. FAS policy is to recover the full cost of a show from the participating companies whenever feasible. In some markets the cost of exhibiting foods and beverages is very high. If we were to cover all costs, we would either have to raise fees so high that they would deter many smaller companies from exhibiting, or build a substandard pavilion which would not be competitive with the pavilions of our major competitors, such as France of the United Kingdom. Therefore, in these high cost markets, we set fees to reflect what we believe is both fair and compatible with our trade expansion objectives. During fiscal 1993, half of our shows will be done at or near full cost recovery. Our average cost recovery on a global basis is expected to increase from 50 percent last year to 75 percent this year.

Mr. DURBIN. What has been the reaction of U.S. firms to this full cost recovery policy?

Mr. SCHROETER. Higher fees have hurt, but not crippled our ability to recruit companies for shows. When we asked former exhibitors why they no longer participate in the program, 22 percent cited cost as the reason.

## 1993 FOOD SHOWS

Mr. DURBIN. What are the major trade shows scheduled for calendar year 1993, where will they be held, and what will be the dates?

Mr. SCHROETER. FAS is sponsoring four shows in 1993. I will provide for the record a table listing the name of the show, its location and dates.

[The information follows:]

FAS-SPONSORED FOOD SHOWS

[Calendar 1993]

| Show Name | Location | Dates |
|---|---|---|
| 1. American Food Fair | Taipei, Taiwan | March 17–19. |
| 2. Food '93 | Jeddah, Saudi Arabia | April 25–28. |
| 3. Festival de Alimentos y Bebidas USA '93 | Mexico City, Mexico | August 31–September 2. |
| 4. ANUGA '93 | Cologne, Germany | October 9–14. |

Although FAS is sponsoring three fewer shows in 1993, the number of booths available to exhibitors—360—is only 10 percent less than sold last year. To help U.S. exporters explore emerging markets, our Trade Show Office will also be organizing sales mission to the Philippines, the Arabian Gulf, the French West Indies, Poland, Hungary and the Czech Republic in 1993.

Mr. DURBIN. In 1992 you held the "Great American Food Show" in Tokyo rather than participating in FOODEX. What are your plans for 1993?

Mr. SCHROETER. Our promotion strategy for Japan in 1993 will emphasize expanding distribution of U.S. products already in the market to consumers outside the Tokyo metropolitan area. To implement this strategy, our Agriculture Trade Offices in Tokyo and Osaka are organizing shows for Japanese agents of U.S. products to help them expand their distribution to wholesalers and retailers in western and northern Japan. The largest of these shows, "The Great American Food Show" in Osaka, will feature over 50 exhibitors. FAS is not recruiting new-to-market companies to exhibit at these shows. Two to three years ago, cost recovery at this type of show in Japan was at 10–15 percent; however, for this year we expect cost recovery to equal about 50 percent. If new-to-market companies wish to promote their products at food shows in Japan this year, we are advising them to exhibit at FOODEX or one of Japan's speciality food shows.

DIPLOMATIC RANK OF MINISTER-COUNSELOR

Mr. DURBIN. How many posts now hold the rank of Minister-Counselor and has there been any change during the past 12 months.

Mr. SCHROETER. FAS has 10-designated Minister-Counselor posts. There have been no increases or decreases since this time last year. I will furnish for the record a list of these posts.

[The information follows:]

USEC Brussels, Belgium; Ottawa, Canada; Paris, France; Bonn, Germany; Rome, Italy; Tokyo, Japan; Seoul, Korea; Mexico City, Mexico; Moscow, Russia; and London, United Kingdom.

DIPLOMATIC RANK OF COUNSELOR

Mr. DURBIN. What posts now hold the rank of Counselor and has there been any change during the past 12 months.

Mr. SCHROETER. FAS has 19-designated Counselor posts, an increase of one with the opening of an office in Sofia, Bulgaria. I will furnish for the record a list of these posts.

[The information follows:]

### DIPLOMATIC RANK OF COUNSELOR

Buenos Aires, Argentina; Canberra, Australia; Vienna, Austria; Brasilia, Brazil; Sofia, Bulgaria; Beijing, China; Cairo, Egypt; Guatemala City, Guatemala; New Delhi, India; Jakarta, Indonesia; The Hague, Netherlands; Lagos, Nigeria; Manila, Philippines; Warsaw, Poland; Madrid, Spain; Stockholm, Sweden; Geneva, Switzerland; Bangkok, Thailand; and Caracas, Venezuela.

### AGRICULTURAL TRADE OFFICES

Mr. DURBIN. Please list for the record the location of the Agricultural Trade Offices and indicate the number of FAS and the number of foreign nationals assigned to each ATO.

[The information follows:]

| Country | City | American officer(s) | Foreign nationals |
|---|---|---|---|
| Algeria | Algiers | 2 | 4 |
| Bahrain [1] | Manama | 1 | 2 |
| | Dubai | | 2 |
| China | Beijing | 1 | 2 |
| | Guangzhou | 1 | 3 |
| Germany | Hamburg | 1 | 3 |
| Hong Kong | | 2 | 4 |
| Japan | Tokyo | 2 | 5 |
| | Osaka | 1 | 2 |
| Korea | Seoul | 1 | 5 |
| Mexico | Mexico City | 1 | 3 |
| Saudi Arabia [2] | Riyadh | 1 | 2 |
| | Jeddah | | 3 |
| | Sanaa | | 1 |
| Singapore [3] | | 2 | 3 |
| Tunisia | Tunis | 1 | 3 |
| United Kingdom [4] | London | 1 | 3 |
| Venezuela [5] | Caracas | 1 | 4 |

[1] Also covers Kuwait, Qatar and the Sultanate of Oman from Manama and the branch ATO in Dubai, the United Arab Emirates.
[2] Also has a branch office in Jeddah, Saudi Arabia and also covers the Yemen Arab Republic from the branch ATO in Sanaa.
[3] Also covers Brunei, and Papua New Guinea and services the agricultural marketing requirements in Indonesia.
[4] Also covers Ireland.
[5] Also covers Aruba, Barbados, Grenada, Guadeloupe, Guyana, Martinique, Netherlands Antilles, St. Vincent, St. Lucia, Surinam, and Trinidad and Tobago.

Mr. DURBIN. For each of the trade offices, please indicate the cooperators that work out of that office.

Mr. SCHROETER. I will supply for the record a list the cooperators collocated with the trade offices.

[The information follows:]

| Country | City | Name of the collocated cooperator |
|---|---|---|
| Germany | Hamburg | American Plywood Association; USA Poultry & Egg Export Council; US Meat Export Federation. |
| Japan | Tokyo | USA Poultry & Egg Export Council; U.S. Feed Grains Council; U.S. Meat Export Federation; U.S. Wheat Associates. |
| | | Wood Products Industry: American Hardwood Export Council; American Plywood Association, Western Wood Products Association. |
| | Osaka | American Hardwood Export Council; U.S. Meat Export Federation. |

| Country | City | Name of the collocated cooperator |
|---|---|---|
| Korea | Seoul | Cotton Council International; National Forest Products Association; U.S. Feed Grains Council; U.S. Meat Export Federation; U.S. Wheat Associates. |
| Mexico | Mexico City | U.S. Feed Grains Council; U.S. Meat Export Federation; USA Poultry & Egg Export Council (in process). |
| | | Wood Products Industry: Southern Forest Products Association; American Hardwood Export Council. |
| Singapore | | American Soybean Association; U.S. Meat Export Federation; USA Poultry & Egg Export Council; U.S. Wheat Associates. |
| United Kingdom | London | California Raisin Advisory Board; National Peanut Council; National Renderers Association; Wine Institute. |
| | | Wood Products Industry: American Hardwood Export Council; American Plywood Association; Southern Forest Products Association; Western Wood Products Association. |
| Venezuela | Caracas | American Soybean Association; U.S. Wheat Associates; National Cottonseed Products Association. |

Mr. DURBIN. Do you anticipate opening any new trade offices during calendar year 1993?

Mr. SCHROETER. At this time, we do not have under consideration the opening of additional trade offices in 1993.

### COOPERATOR PROGRAM

Mr. DURBIN. Please list for the record each of the cooperators and the amount they will receive and their contributions for fiscal years 1992 and 1993.

Mr. SCHROETER. I will provide for the record a list of the cooperators, the amounts they received, and their contributions for fiscal years 1992 and 1993.

[The information follows:]

FY1992
FOREIGN MARKET DEVELOPMENT PROGRAM
EXPENDITURES & CONTRIBUTIONS

| COOPERATOR BY COMMODITY DIVISION | | COOPERATOR CONTRIBUTION | | | |
|---|---|---|---|---|---|
| | EXPEND | CASH | GOODS & SERV | TOTAL | FOREIGN THIRD PARTY |
| | | | '000 DOLLAR | | |
| ***AGEXPORT SERVICES*** | | | | | |
| Eastern U.S. Agri & Food Council | 77 | 5 | 6 | 11 | 0 |
| Mid-America International Agri-Trade | 77 | 3 | 57 | 60 | 103 |
| National State Dept of Agriculture | 216 | 13 | 56 | 69 | 0 |
| Southern U.S. Trade Association | 103 | 25 | 137 | 162 | 0 |
| Western U.S. Trade Association | 230 | 0 | 139 | 139 | 3 |
| Division Total | 703 | 46 | 395 | 441 | 106 |
| ***DAIRY, LIVESTOCK & POULTRY*** | | | | | |
| American Embryo Transfer Association | 13 | 16 | 10 | 26 | 0 |
| American Quarter Horse Association | 13 | 38 | 35 | 73 | 27 |
| American Sheep Industry | 82 | 207 | 47 | 254 | 0 |
| Appaloosa Horse Club | 0 | 0 | 0 | 0 | 0 |
| Catfish Institute | 52 | 56 | 0 | 56 | 0 |
| Leather Industries of America | 169 | 315 | 691 | 1,006 | 0 |
| Livestock Exporters Association | 14 | 8 | 23 | 31 | 0 |
| Mohair Council of America | 20 | 19 | 0 | 19 | 0 |
| National Animal Breeders | 87 | 72 | 10 | 82 | 0 |
| National Association of Swine Records | 0 | 0 | 0 | 0 | 0 |
| National Dairy Promotion Board | 277 | 547 | 110 | 657 | 134 |
| National Renderers Association | 964 | 360 | 16 | 376 | 826 |
| USA Poultry & Egg Export Council | 1,290 | 185 | 178 | 363 | 1,155 |
| U.S. Beef Breeds Council | 85 | 164 | 38 | 202 | 0 |
| U.S. Dairy Genetics | 343 | 0 | 632 | 632 | 128 |
| U.S. Hide, Skin, Leather | 44 | 18 | 39 | 57 | 0 |
| U.S. Meat Export Federation | 1,623 | 1,240 | 176 | 1,416 | 1,485 |
| Division Total | 5,076 | 3,245 | 2,005 | 5,250 | 3,755 |
| ***FOREST PRODUCTS*** | | | | | |
| National Forest Products Associaton | 2,478 | 1,982 | 311 | 2,293 | 290 |
| Division Total | 2,478 | 1,982 | 311 | 2,293 | 290 |

*FY1992*
FOREIGN MARKET DEVELOPMENT PROGRAM
EXPENDITURES & CONTRIBUTIONS

| COOPERATOR BY COMMODITY DIVISION | EXPEND | COOPERATOR CONTRIBUTION CASH | GOODS & SERV | TOTAL | FOREIGN THIRD PARTY |
|---|---|---|---|---|---|
| | | '000 DOLLAR | | | |
| ***GRAIN AND FEED*** | | | | | |
| Millers National Federation | 21 | 12 | 26 | 38 | 0 |
| National Dry Bean Council | 58 | 1 | 72 | 73 | 0 |
| National Hay Association | 34 | 10 | 50 | 60 | 0 |
| Protein Grain Products International | 0 | 29 | 22 | 51 | 0 |
| USA Dry Pea & Lentil Council | 118 | 178 | 35 | 213 | 46 |
| USA Rice Council | 1,726 | 328 | 0 | 328 | 401 |
| U.S. Feed Grains Council | 5,445 | 3,909 | 195 | 4,104 | 2,503 |
| U.S. Wheat Associates | 6,834 | 2,647 | 3,792 | 6,439 | 2,749 |
| Division Total | 14,236 | 7,114 | 4,192 | 11,306 | 5,699 |
| ***HORTICULTURE & TROPICAL PRODUCTS*** | | | | | |
| American Horticultural Marketing | 658 | 186 | 429 | 615 | 277 |
| Papaya Administrative Committee | 18 | 115 | 91 | 206 | 0 |
| Division Total | 676 | 301 | 520 | 821 | 277 |
| ***OILSEEDS AND PRODUCTS*** | | | | | |
| American Soybean Association | 6,530 | 193 | 65 | 258 | 164 |
| National Cottonseed Products | 141 | 180 | 29 | 209 | 0 |
| National Peanut Council | 389 | 149 | 81 | 230 | 33 |
| National Sunflower Association | 185 | 205 | 57 | 262 | 19 |
| Division Total | 7,245 | 727 | 232 | 959 | 52 |
| ***TOBACCO, COTTON AND SEEDS*** | | | | | |
| American Seed Trade Association | 203 | 238 | 113 | 351 | 0 |
| Cotton Council Intmational | 1,147 | 1,587 | 113 | 1,700 | 159 |
| Tobacco Associates | 84 | 172 | 0 | 172 | 0 |
| Division Total | 1,434 | 1,997 | 226 | 2,223 | 159 |
| ***GRAND TOTAL*** | $31.848 | $15,412 | $7,881 | $23.293 | $10.338 |

*FY1993*
FOREIGN MARKET DEVELOPMENT PROGRAM
BUDGETS & CONTRIBUTIONS

| COOPERATOR BY COMMODITY DIVISION | BUDGET | CASH | GOODS & SERV | TOTAL | FOREIGN THIRD PARTY |
|---|---|---|---|---|---|
| | | | '000 DOLLAR | | |
| ***AGEXPORT SERVICES*** | | | | | |
| Eastern U.S. Agri & Food Council | 68 | 17 | 0 | 17 | 3 |
| Mid-America International Agri-Trade | 99 | 56 | 30 | 86 | 0 |
| National State Dept of Agriculture | 205 | 400 | 346 | 746 | 0 |
| Southern U.S. Trade Association | 100 | 24 | 77 | 101 | 0 |
| Western U.S. Trade Association | 205 | 25 | 11 | 36 | 0 |
| Division Total | 677 | 522 | 464 | 986 | 3 |
| ***DAIRY, LIVESTOCK & POULTRY*** | | | | | |
| American Embryo Transfer Association | 14 | 2 | 14 | 16 | 0 |
| American Quarter Horse Association | 25 | 45 | 34 | 79 | 14 |
| American Sheep Industry | 128 | 263 | 43 | 306 | 0 |
| Appaloosa Horse Club | 10 | 24 | 0 | 24 | 0 |
| Leather Industries of America | 175 | 312 | 714 | 1,026 | 0 |
| Livestock Exporters Association | 17 | 8 | 8 | 16 | 0 |
| Mohair Council of America | 21 | 24 | 0 | 24 | 0 |
| National Animal Breeders | 90 | 74 | 0 | 74 | 0 |
| National Association of Swine Records | 49 | 40 | 37 | 77 | 12 |
| National Dairy Promotion Board | 400 | 189 | 21 | 210 | 0 |
| National Renderers Association | 1,096 | 376 | 16 | 392 | 550 |
| USA Poultry & Egg Export Council | 1,721 | 156 | 272 | 428 | 1,219 |
| U.S. Beef Breeds Council | 117 | 164 | 38 | 202 | 15 |
| U.S. Dairy Genetics | 525 | 525 | 60 | 585 | 128 |
| U.S. Hide, Skin, Leather | 44 | 17 | 39 | 56 | 0 |
| U.S. Meat Export Federation | 1,723 | 163 | 287 | 450 | 400 |
| Division Total | 6,155 | 2,382 | 1,583 | 3,965 | 2,338 |
| ***FOREST PRODUCTS*** | | | | | |
| National Forest Products Associaton | 2,841 | 1,890 | 307 | 2,197 | 290 |
| Division Total | 2,841 | 1,890 | 307 | 2,197 | 290 |

*FY1993*
FOREIGN MARKET DEVELOPMENT PROGRAM
BUDGETS & CONTRIBUTIONS

| COOPERATOR BY COMMODITY DIVISION | | COOPERATOR CONTRIBUTION | | | |
|---|---|---|---|---|---|
| | BUDGET | CASH | GOODS & SERV | TOTAL | FOREIGN THIRD PARTY |
| | | | '000 DOLLAR | | |
| ***GRAIN AND FEED*** | | | | | |
| Millers National Federation | 21 | 8 | 16 | 24 | 0 |
| National Dry Bean Council | 103 | 18 | 118 | 136 | 3 |
| National Hay Association | 50 | 47 | 4 | 51 | 0 |
| Protein Grain Products International | 53 | 41 | 29 | 70 | 0 |
| USA Dry Pea & Lentil Council | 177 | 46 | 54 | 100 | 32 |
| USA Rice Council | 1,922 | 330 | 0 | 330 | 440 |
| U.S. Feed Grains Council | 6,544 | 4,994 | 135 | 5,129 | 1,132 |
| U.S. Wheat Associates | 7,341 | 3,500 | 3,800 | 7,300 | 3,600 |
| Division Total | 16,211 | 8,984 | 4,156 | 13,140 | 5,207 |
| ***HORTICULTURE & TROPICAL PRODUCTS*** | | | | | |
| American Horticultural Marketing | 245 | 315 1/ | 0 | 315 | 170 |
| Papaya Administrative Committee | 84 | 160 1/ | 0 | 160 | 0 |
| Division Total | 309 | 475 | 0 | 475 | 170 |
| ***OILSEEDS AND PRODUCTS*** | | | | | |
| American Soybean Association | 7,400 | 3,483 | 643 | 4,126 | 1,483 |
| National Cottonseed Products | 141 | 119 | 10 | 129 | 4 |
| National Peanut Council | 451 | 175 | 18 | 191 | 14 |
| National Sunflower Association | 301 | 112 | 77 | 189 | 7 |
| Division Total | 8,293 | 3,889 | 746 | 4,635 | 1,508 |
| ***TOBACCO, COTTON AND SEEDS*** | | | | | |
| American Seed Trade Association | 236 | 250 | 125 | 375 | 0 |
| Cotton Council International | 1,858 | 1,464 | 63 | 1,527 | 323 |
| Tobacco Associates | 149 | 149 | 0 | 149 | 0 |
| Division Total | 2,243 | 1,863 | 188 | 2,051 | 323 |
| ***GRAND TOTAL*** | $36,729 | $20,005 | $7,444 | $27,449 | $9,839 |

1/ Cash contribution includes goods and services.
Source: Contribution data provided by commodity divisions.

UNLIQUIDATED BALANCE

Mr. DURBIN. What is the unliquidated balance for the cooperator program as of the end of fiscal year 1992?

Mr. SCHROETER. As of the end of fiscal year 1992, the unliquidated balance totaled $39.2 million.

Mr. DURBIN. Please provide for the record a table showing unliquidated balances for the cooperator program for the past ten fiscal years.

[The information follows:]

*Cooperator Program Unliquidated Balances*

[In millions]

| Fiscal Year: | *Amount* |
|---|---|
| 1983 | 44.5 |
| 1984 | 50.6 |
| 1985 | 55.5 |
| 1986 | 45.4 |
| 1987 | 48.7 |
| 1988 | 46.7 |
| 1989 | 50.8 |
| 1990 | 50.3 |
| 1991 | 48.0 |
| 1992 | 39.2 |

LANDSAT DATA

Mr. DURBIN. How much did you receive from the Commodity Credit Corporation during fiscal year 1992 for the purchase of LANDSAT data and what are your current plans for fiscal year 1993?

Mr. SCHROETER. Under reimbursable agreements, the Commodity Credit Corporation provided FAS $2,200,000 in both fiscal years 1992 and 1993. These funds are used to acquire and analyze LANDSAT data taken over the United States to support ASCS in determining unusual crop conditions and the geographical extent of such events. In addition, data is acquired for use by FAS in performing continuous crop condition assessments and production estimation in trade-sensitive foreign countries, including Brazil, Argentina, Eastern Europe, the former Soviet Union, India, China, and Australia.

Mr. DURBIN. Have you reevaluated the need for LANDSAT data in view of the accessibility of the former Soviet Union? In other words, is the need for satellite imagery as great as it used to be, or do you have better ground access now?

Mr. SCHROETER. The Foreign Agricultural Service continues to have a strong need for LANDSAT data. Satellite data, particularly LANDSAT, is acquired for use by FAS in performing continuous crop condition assessments and production estimation in many foreign countries, including the republics of the former Soviet Union.

These analyses are factored into the USDA monthly world crop production estimates which provide USDA with a real-time independent evaluation of potential crop production changes. This improved production information for the former Soviet Union is used in broad policy decisions by the Department.

Following the breakup of the USSR, ground travel continues to be difficult, with many production areas virtually inaccessible. Visa

requirements for the non-sovereign republics are often arbitrary and cumbersome. Fuel shortages and the need for gasoline and diesel "coupons" make overland travel uncertain, at best. Official crop statistics vary significantly among the republics of the former Soviet Union in terms of availability, accuracy, and timeliness of release. LANDSAT imagery remains the best source of timely and accurate crop production information for the former Soviet Union.

Mr. DURBIN. What is the total cost of the LANDSAT program, separately identifying people assigned to the program and the purchase of data. You might show that information for fiscal years 1991, 1992, and 1993.

Mr. SCHROETER. The approximate cost of the FAS LANDSAT program, in terms of personnel and data, for fiscal year 1993 is $2.285 million, of which $1.9 million is for the purchase of data and $0.385 million for personnel.

In fiscal year 1992, total FAS LANDSAT costs are estimated at $2.25 million. Data again cost $1.9 million, with the remainder—$0.35 million—for personnel.

For fiscal year 1991, total costs were about $2.10 million, of which $1.8 million was spent for data.

## LANGUAGE TRAINING

Mr. DURBIN. How much did you spend on language training during fiscal year 1992,,and what is your budget for 1993?

Mr. SCHROETER. In fiscal year 1992 FAS spent $470,515 on language training. The budget for fiscal year 1993 is $520,000.

Mr. DURBIN. During fiscal year 1992 and to date for fiscal year 1993, how many FAS employees have been enrolled in language training, by language?

Mr. SCHROETER. In fiscal year 1992, a total of 110 employees were sent to language training. For fiscal year 1993, as of today, 48 FAS employees have been sent to language training. We will provide a detailed listing for the record.

[The information follows:]

| | Fiscal year— | |
|---|---|---|
| | 1992 | 1993 |
| Language: | | |
| Arabic | 1 | 1 |
| Bulgarian | 2 | 0 |
| Chinese | 9 | 3 |
| French | 19 | 10 |
| German | 5 | 2 |
| Greek | 1 | 0 |
| Indonesian | 2 | 1 |
| Italian | 3 | 2 |
| Japanese | 6 | 2 |
| Korean | 2 | 2 |
| Lithuanian | 1 | 0 |
| Polish | 2 | 1 |
| Portuguese | 1 | 0 |
| Romanian | 2 | 0 |
| Russian | 11 | 8 |
| Spanish | 35 | 14 |
| Swedish | 1 | 0 |
| Tagalog | 2 | 0 |

| | Fiscal year— | |
|---|---|---|
| | 1992 | 1993 |
| Thai | 1 | 0 |
| Dutch | 0 | 1 |
| Finnish | 1 | 0 |
| Hausa | 1 | 0 |
| Hindi | 0 | 1 |
| Bamasa | 1 | 0 |
| Ukranian | 1 | 0 |
| Total | 110 | 48 |

#### FAS CONFERENCES

Mr. DURBIN. What FAS conferences are scheduled during the coming 12 months and where and when will such conferences be held?

Mr. SCHROETER. FAS tries to hold conferences in each of the three regions of the world at least every 18 months. We are in the process of organizing a conference for the Europe, Africa and the Middle East region during April.

#### EMPLOYEE RETREATS

Mr. DURBIN. Has FAS held any employee management retreats during the past 12 months, and if so, where and what was the cost?

Mr. SCHROETER. FAS has not held any employee management retreats during the past 12 months.

Mr. DURBIN. Has FAS held any large training sessions during the past 12 months, and if so, where, what was the purpose of the training, and what was the cost?

Mr. SCHROETER. The information on training is provided for the record.

[The information follows:]

| Title and cost | Location | Purpose |
|---|---|---|
| Letters of Credit, $4,000 | Washington, DC | Develop knowledge in methods of payment by letters of credit and required export documentation procedures. |
| Career Development Workshops, $32,000 | Washington, DC | To impart information to all employees about the career planning process including setting goals, developing career strategies, and understanding the needs of FAS as well as their own. |
| Leadership Academy, $154,848 | Pikesville, MD | To enhance leadership skills of all supervisors and managers. |
| Stress Management, $20,698 | Williamsburg, VA | To provide employees approaches to managing productive stress, thereby benefiting the organization as well. |

#### TRAVEL

Mr. DURBIN. Please provide for the record a list of all overseas travel by employees of the Office of the General Sales Manager during calendar year 1992, including a description of the purpose of each visit and the locations visited.

Mr. SCHROETER. The requested list is provided for the record.
[The information follows:]

| NAME | DATES OF TRAVEL | CITIES | PURPOSE |
|---|---|---|---|
| Margaret M. Bauer<br>Agrl. Economist<br>Program Development Div. | 8/20–8/30/92 | Minsk, Moscow | Negotiate a Title I agreement with the Government of the Republic of Belarus. |
| Randall W. Baxter<br>Agrl. Marketing Specialist<br>CCC Operations Division | 8/27/92 | Montreal | Delivery of CCC contracts for sale of butter to Russia and obtain signatures for these documents. |
| Casey E. Bean<br>Agrl. Economist<br>Program Development Div. | 3/31–4/15/92 | Stockholm, Riga, Tallinn, Vilnius, Copenhagen | Negotiate proposed P.L. 480, Title I agreement with appropriate ministry officials in the republics. |
| Casey E. Bean<br>Agrl. Economist<br>Program Development Div. | 8/21–9/6/92 | Sofia, Yerevan, Moscow | Negotiate a Title I agreement with the Government of the Republic of Armenia. |
| Amy Brooksbank<br>Agrl. Economist<br>Program Development Div. | 4/25–5/2/92 | Quito, Quayaquil | Meet with bankers, importers and government officials to explain how the GSM credit programs work. |
| Amy Brooksbank<br>Agrl. Economist<br>Program Development Div. | 9/22–9/30/92 | San Jose, Sao Paulo | Gather information on Brazil's banking sector and to educate Brazilian bankers and importers on the Export Credit Guarantee programs (GSM–102 and GSM–103). |
| Richard J. Chavez<br>Agrl. Marketing Specialist<br>CCC Operations Division | 3/23–3/27/92 | Mexico City | Review shipments of Nonfat Dry Milk to CONASUPO and to meet with private sector purchasers of butteroil. |
| Martha J. Chewning<br>Agrl. Marketing Specialist<br>CCC Operations Division | 4/27–5/1/92 | Quito | Meet with banks and private importers to explain the mechanics of the GSM Credit Guarantee programs. |
| Charles Delaplane<br>Deputy Director<br>Program Development Div. | 10/6–10/9/92 | Maastricht | Present information on Export Credits programs to a marketing conference of the American Soybean Association. |
| Richard Drennan<br>Agrl. Economist<br>Program Development Div. | 8/18–9/1/92 | Istanbul, Baku, Moscow | Negotiate a Title I agreement with the Government of the Republic of Azerbaijan. |
| Richard L. Godsey<br>Chief, Credit Sales<br>Registration Branch<br>CCC Operations Division | 4/26–5/5/92 | Kiev, Minsk, Moscow | Meet with officials of the Newly Independent States of the former Soviet Union to discuss GSM–102/103 Credit Guarantees for fiscal year 1992. |

| NAME | DATES OF TRAVEL | CITIES | PURPOSE |
|---|---|---|---|
| Richard L. Godsey<br>Chief, Credit Sales<br>Registration Branch<br>CCC Operations Division | 7/12–7/23/92 | Jakarta | Meet with Indonesian Government officials, trade and banking representatives to discuss operational aspects of possible GSM–102 programs for fiscal years 1992 and 1993. |
| Christopher Goldthwait<br>Asst. General Sales Mgr.<br>and Asst. Administrator,<br>Export Credits | 4/20–4/23/92 | Bonn | Attend the G–7 Food Aid Working Group meeting. |
| Christopher Goldthwait<br>Asst. General Sales Mgr.<br>and Asst. Administrator,<br>Export Credits | 5/31–6/5/92 | Moscow, Sofia | Discuss Credit Guarantee and review USDA technical assistance. |
| Christopher Goldthwait<br>Asst. General Sales Mgr.<br>and Asst. Administrator,<br>Export Credits | 9/26–10/2/92 | Moscow,<br>Ivanovo,<br>St. Petersburg | Conclude credit and food aid discussions. |
| Christopher Goldthwait<br>Asst. General Sales Mgr.<br>and Asst. Administrator,<br>Export Credits | 10/17–10/27/92 | Casablanca,<br>Algiers | Credit guarantee negotiations/consultations with Algerian officials. |
| Patricia Haslach<br>Area Manager, Latin<br>American & Caribbean<br>Program Development Div. | 2/2–2/4/92 | Mexico City | Represent Export Credits at the livestock genetics cooperator conference in Mexico City and speak to the representatives from the Mexican trade about the Export Credit Guarantee programs GSM–102/103 for Mexico. |
| Patricia Haslach<br>Area Manager, Latin<br>American & Caribbean<br>Program Development Div. | 5/24–5/30/92 | Prague, Moscow,<br>Bucharest, Sofia,<br>Tirane, Bonn | Support Deputy Secretary Veneman for trip of Deputy Coordinators of U.S. assistance to Eastern Europe and the Newly Independent States. |
| James Higgiston<br>Area Manager, Europe and<br>Africa Area,<br>Program Development Div. | 10/23–11/2/92 | Algiers, Moscow | Conduct credit consultations in Algiers. Discuss P.L. 480 and Credit Guarantee programs. |
| Lorie Jacobs<br>Agricultural Economist<br>Program Analysis Div. | 11/18–11/25/92 | Moscow | Negotiate Food Aid agreement. |

| NAME | DATES OF TRAVEL | CITIES | PURPOSE |
|---|---|---|---|
| James Keefer<br>Chief,<br>Special Programs Branch<br>Program Analysis Div. | 5/16–5/23/92 | Rome | Attend meeting of the U.S. Delegations to the CFA and SCP, FAO/World Food Program. |
| Jaunita M. Lambert<br>Agri. Marketing Specialist<br>Program Analysis Div. | 10/24–10/31/92 | Rome | Attend U.S. Delegations of the ninth session of the World Food Program Sub–Committee on projects, SCP–9. |
| Marc P. Mealy<br>Agricultural Economist<br>Program Development Div. | 9/10–9/24/92 | Dar Es Salaam, Harare, Kampala, Nairobi, Cairo | Accompany the U.S. Wheat Associates on a Wheat Procurement Consultation Mission, and meet with grain traders, millers and government officials. |
| Benjamin Muskovitz<br>Agricultural Economist<br>Program Development Div. | 3/8–3/20/92 | Caracas, Paramaribo, Willemstead | Negotiate and sign an $8 million P.L. 480, Title I program. Meet with government officials and private sector importers and discuss Venezuela's GSM programs. |
| Benjamin Muskovitz<br>Agricultural Economist<br>Program Development Div. | 6/27–7/4/92 | Guatemala City, San Salvador | Meet with appropriate government officials, importers and banks to discuss fiscal year 1993 P.L. 480, Title I and GSM–102 programs. |
| Benjamin Muskovitz<br>Agricultural Economist<br>Program Development Div. | 8/20–8/30/92 | T'Bilisi, Moscow | Negotiate a Title I agreement with the Government of the Republic of Georgia. |
| James T. O'Meara<br>NIS Food Aid Coordinator<br>Export Credits | 3/31–4/11/92 | Moscow, St. Petersburg | Attend World Bank Food Strategy Meeting in Moscow; participate in USDA negotiations on Section 416 agreement with Russian Humanitarian Assistance Commission; consult with USDA officials at U.S. Embassy, on–site coordinator for food aid, CARE food aid monitors, and other U.S. government and PVO representatives involved in grant food aid programs, and check food aid activities related to port, rail, and truck operations in St. Petersburg. |
| James T. O'Meara<br>NIS Food Aid Coordinator<br>Export Credits | 10/26–10/31/92 | Tokyo | Represent USDA and assist Ambassador Armitage at the Tokyo International Donors Conference for the Newly Independent States. |
| Keith Pinkerton<br>Agricultural Economist<br>Program Analysis Div. | 4/19–5/2/92 | Khabarovsk, Moscow | Accompany an airlift of humanitarian relief to the Russian Federation, and assist with the off–loading and distribution. |

| NAME | DATES OF TRAVEL | CITIES | PURPOSE |
|---|---|---|---|
| Lynne A. Reich<br>Acting Area Manager, EAA<br>Program Development Div. | 11/8–11/18/92 | Singapore,<br>Jakarta,<br>Kuala Lumpur | Participate in a seminar on the GSM–102 program for local banks and importers. Resolve operational issues related to bank financing under fiscal year 1993 GSM–102 program. |
| Lynne A. Reich<br>Acting Area Manager, EAA<br>Program Development Div. | 1/11–1/22/92 | Bucharest,<br>Sofia, Prague<br>Vienna | Accompany CCI Regional Director and to develop and promote fiscal year 1992 GSM-102 programs |
| Donald Street<br>Chief Negotiator<br>CCC Operations Div. | 1/14–1/16/92 | Mexico City | Meet with representatives of CONASUPO and Liconsa regarding the purchase of CCC owned dairy products. |
| Donald Street<br>Chief Negotiator<br>CCC Operations Div. | 4/15–4/16/92 | Mexico City | Discuss the operations of the Dairy Export Incentive program with CONASUPO. |
| Donald Street<br>Chief Negotiator<br>CCC Operations Div. | 10/19–10/23/92 | Brussels, Geneva | Discuss dairy sales with Nestle Corp. for fiscal year 1993 end to dicuss world dairy situation with European Community contacts and Dairy Commission officials. |
| Eric A. Wenberg<br>Agricultural Economist<br>Program Development Div. | 2/14–3/1/92 | Sanaa, Amman | Confer with overseas agricultural officers regarding Export Credit programs and to facilitate Title I, P.L. 480 signature with Jordan. |
| Glenn D. Whiteman<br>Deputy Asst. Administrator<br>for Export Credits | 2/2–2/8/92 | Dubai, Tunis | Participate in U.S. Feed Grains Council Regional Seminar. Meet With GOI bank and industry representatives regarding the P. L. 480 programs. |
| Glenn D. Whiteman<br>Deputy Asst. Administrator<br>for Export Credits | 5/19–6/22/92 | San Jose | Meet with host government, trade and banking officials on operation of Title I P.L. 480 and GSM–102/103 programs. |
| Glenn D. Whiteman<br>Deputy Asst. Administrator<br>for Export Credits | 6/30–7/8/92 | Vienna,<br>Bucharest | Participate in Cotton Council International Seminar for Eastern Europe cotton importers to teach them to utilize GSM–103. Review GSM–102, P.L. 480 and Section 416 programs. |
| Glenn D. Whiteman<br>Deputy Asst. Administrator<br>for Export Credits | 9/21–9/24/92 | Vienna | Participate in U.S. Feed Grains Seminar for Eastern European Importers. |
| Glenn D. Whiteman<br>Deputy Asst. Administrator<br>for Export Credits | 10/12–10/17/92 | San Jose | Participate in the Western Hemisphere Regional Attache Conference. |

### HIRING FREEZE

Mr. DURBIN. Last November 6, the Administrator of FAS sent a letter to all employees regarding a hiring freeze. In that letter it was stated that current employment was now at 904 and the freeze was put on in order to reduce employment to 873. Where does your employment currently stand?

Mr. SCHROETER. As of today, FAS permanent employment totals 877, a reduction of 27 personnel since the implementation of the hiring freeze. However, it should be pointed out that of the 27 separations, 8 were Schedule "C" employees from the former Administration. Some of these positions will be refilled in the near future.

### OTHER SERVICES ACCOUNT

Mr. DURBIN. Please provide a detailed sub-object class breakdown for the "Other Services" account for fiscal years 1992, the fiscal year 1993 budget request, and your current plan for fiscal year 1993.

Mr. SCHROETER. I will provide that information for the record.

[The information follows:]

OTHER SERVICES

[In thousands of dollars]

| | 1992 | 1993 budget request | 1993 current plan |
|---|---|---|---|
| Consulting services | $1,039 | $908 | $870 |
| NFC services | 149 | 149 | 149 |
| Arts and graphics | 176 | 176 | 176 |
| Training | 1,395 | 1,136 | 1,074 |
| Storage of household goods | 224 | 224 | 224 |
| Security investigations | 205 | 205 | 205 |
| Representation | 125 | 125 | 134 |
| Maintenance and repair of equipment | 566 | 431 | 432 |
| Design Fees and construction | 775 | 775 | 775 |
| Cooperator projects—market development | 24,599 | 27,337 | 17,337 |
| Distributed administrative support | 5,544 | 6,097 | 6,429 |
| ADP services | 3,096 | 3,096 | 10,823 |
| Medical and dental care | 68 | 68 | 69 |
| Miscellaneous services | 2,998 | 1,558 | 1,647 |
| Total | $40,959 | $42,285 | $40,344 |

### EQUIPMENT

Mr. DURBIN. Please provide a sub-object class breakdown for the "Equipment" account for fiscal year 1992, the original budget request for 1993, and the current plan for fiscal year 1993.

Mr. SCHROETER. I will provide that for the record.

[The information follows:]

EQUIPMENT

[In thousands of dollars]

| | 1992 | 1993 budget request | 1993 current, plan |
|---|---|---|---|
| Motor Vehicles | $137 | $142 | $33 |
| ADP | 1,130 | 697 | 0 |
| Attaches furniture & fixtures | 510 | 237 | 142 |
| Other equipment | 643 | 750 | 308 |
| Total | $2,420 | $1,826 | $483 |

STAFF-YEARS AND DOLLARS BY PROGRAM

Mr. DURBIN. Please provide for the record a table similar to the table that appears on page 323 of last year's hearings that shows each of the programs of the General Sales Manager and the staff-years and dollars associated with each.

Mr. SCHROETER. The requested table is provided for the record.

[The information follows:]

OFFICE OF THE GENERAL SALES MANAGER

[Dollars in millions]

| Program | 1993 program level | Support costs | Staff-years |
|---|---|---|---|
| Public Law 480 | | | |
| Title I/III | $888.9 | $1.5 | 24 |
| Title II/416 | 810.0 | .6 | 10 |
| EEP | 1,200.0 | 3.6 | 51 |
| Direct Sales | 100.0 | .5 | 9 |
| GSM 102/103 | 5,700.0 | 2.7 | 51 |
| Total | $8,698.9 | $8.9 | 145 |

Mr. DURBIN. According to the table in last year's hearing, 51 of your 145 staff-years are devoted to the GSM-102/103 program. Since this program is a government guarantee of a commercial sale, why is this program so labor-intensive?

Mr. SCHROETER. The primary reason for the indicated staff requirements is simply that these programs are quite large and labor intensive. To illustrate, during fiscal year 1992, U.S. exporters obtained more than $5.6 billion in guarantee coverage on sales to more than 30 countries. Nearly 4,000 individual payment guarantees were approved during this period, and in addition over 450 amendments to guarantees were processed. Because each guarantee normally involves more than one shipment, we processed an estimated 11,000 Evidence of Export Reports wherein we learned of actual values shipped, repayment schedules for credits extended by U.S. banks, and resulting CCC contingent liabilities. We are also conducting compliance review of exporter records, including, when indicated, field reviews at company offices.

Along with sheer program size, more rigorous program controls, some emanating from provisions of the Food, Agriculture, Conservation, and Trade Act of 1990, have increased work requirements.

Examples include a review, prior to program announcement, of the ability of the importing country to adequately service CCC-guaranteed debt; a review of information submitted by each exporter to determine eligibility for participation; a review of each export transaction to determine whether the commodity price falls within prevailing market ranges.

We continue to try to administer these programs more efficiently, and, in particular, seek to enhance productivity by improvements to our computerized data systems.

OBJECT CLASSIFICATION TABLE

Mr. DURBIN. Please provide for the record an object classification table for the Office of the General Sales Manager for fiscal year 1992, the fiscal year 1993 original budget request, and the current plan for fiscal year 1993.

[The information follows:]

GENERAL SALES MANAGER, CLASSIFICATION BY OBJECTS, FISCAL YEAR 1992–FISCAL YEAR 1993

[Dollars in thousand]

| | 1992 | 1993 budget request | 1993 current plan |
|---|---|---|---|
| Personnel Compensation | $6,729 | $6,117 | $6,776 |
| Personnel Benefits | 1,252 | 1,038 | 1,459 |
| Travel and Transportation of Persons | 305 | 426 | 237 |
| Transportation of Things | 13 | 15 | 6 |
| Rents, Communications, Utilities | 297 | 399 | 126 |
| Printing and Reproduction | 55 | 61 | 25 |
| Other Services | 327 | 398 | 196 |
| Supplies and Materials | 79 | 29 | 37 |
| Equipment | 14 | 299 | 4 |
| Total | $9,071 | $8,782 | $8,866 |

OTHER SERVICES AND EQUIPMENT

Mr. DURBIN. Please provide a sub-object class breakdown for "Other Services" and "Equipment" for fiscal year 1992, the fiscal year 1993 original budget request, and the current fiscal year 1993 spending plan.

[The information follows:]

OTHER SERVICES, FISCAL YEAR 1992–FISCAL YEAR 1993

[In thousands of dollars]

| | 1992 | 1993 budget request | 1993 current plan |
|---|---|---|---|
| Contractual services | $15 | $135 | $15 |
| NFC services | 37 | 37 | 40 |
| Arts and graphics | 1 | 1 | 1 |
| Training | 48 | 61 | 50 |
| Security investigations | 66 | 52 | 50 |
| Maintenance and repair of equipment | 31 | 9 | 31 |
| Miscellaneous services | 129 | 103 | 9 |
| Total | $327 | $398 | $196 |

EQUIPMENT, FISCAL YEAR 1992–FISCAL YEAR 1993

[In thousands of dollars]

| | 1992 | 1993 budget request | 1993 current plan |
|---|---|---|---|
| ADP | $0 | $255 | $0 |
| Other equipment | 14 | 44 | 4 |
| Total | $14 | $299 | $4 |

WORLD TRADE BY MAJOR COMMODITY

Mr. DURBIN. Would you please provide for the record a list showing the amount of commodities that moved in world trade for each of the last ten years and the U.S. share of that trade?

[The information follows:]

WORLD AGRICULTURAL TRADE
The United States and its Competitors
October-September Years
(Million Metric Tons)

| | U.S. | Competitors | Others | Total | U.S. Share % |
|---|---|---|---|---|---|
| Wheat/Flour | | | | | |
| 1982/83 | 39.4 | 54.0 | 6.0 | 99.4 | 40 |
| 1983/84 | 43.2 | 59.2 | 5.7 | 108.1 | 40 |
| 1984/85 | 29.6 | 58.5 | 7.8 | 95.9 | 31 |
| 1985/86 | 27.1 | 53.5 | 5.5 | 86.1 | 31 |
| 1986/87 | 30.1 | 57.2 | 6.6 | 93.9 | 32 |
| 1987/88 | 43.4 | 54.3 | 7.2 | 104.9 | 41 |
| 1988/89 | 37.8 | 48.7 | 11.2 | 97.7 | 39 |
| 1989/90* | 33.5 | 54.8 | 8.7 | 97.0 | 35 |
| 1990/91* | 28.3 | 57.7 | 8.3 | 94.4 | 30 |
| 1991/92*e | 35.1 | 58.9 | 14.2 | 108.2 | 32 |
| 1992/93*f | 36.5 | 56.7 | 8.2 | 101.4 | 36 |
| Coarse Grains | | | | | |
| 1982/83 | 54.0 | 28.6 | 7.5 | 90.1 | 60 |
| 1983/84 | 55.8 | 30.7 | 6.0 | 92.5 | 60 |
| 1984/85 | 55.5 | 33.3 | 12.8 | 101.6 | 55 |
| 1985/86 | 36.4 | 33.8 | 11.1 | 81.3 | 45 |
| 1986/87 | 47.5 | 26.1 | 10.0 | 83.6 | 57 |
| 1987/88 | 53.5 | 22.3 | 7.8 | 83.6 | 64 |
| 1988/89 | 61.2 | 24.0 | 8.8 | 94.0 | 65 |
| 1989/90* | 69.1 | 23.9 | 8.7 | 101.7 | 68 |
| 1990/91* | 51.8 | 22.5 | 12.4 | 86.7 | 60 |
| 1991/92*e | 50.2 | 26.0 | 17.3 | 93.4 | 54 |
| 1992/93*f | 52.5 | 27.7 | 11.0 | 91.3 | 58 |

* Observations are on marketing a year basis; wheat/flour (July/June) and coarse grains (October-September).
e = Estimate
f = Forecast

WORLD AGRICULTURAL TRADE
The United States and its Competitors
October-September Years
(Million Metric Tons)

| | U.S. | Competitors | Others | Total | U.S. Share % |
|---|---|---|---|---|---|
| Rice | | | | | |
| 1982/83 | 2.3 | 9.6 | -- | 11.9 | 19 |
| 1983/84 | 2.2 | 10.3 | -- | 12.5 | 18 |
| 1984/85 | 1.8 | 9.3 | -- | 11.1 | 16 |
| 1985/86 | 2.2 | 10.6 | -- | 12.8 | 17 |
| 1986/87 | 2.5 | 10.1 | -- | 12.6 | 20 |
| 1987/88 | 2.3 | 10.0 | -- | 12.3 | 19 |
| 1988/89 | 2.8 | 12.3 | -- | 15.1 | 19 |
| 1989/90* | 2.4 | 5.4 | 4.4 | 12.2 | 20 |
| 1990/91* | 2.2 | 6.3 | 4.3 | 12.8 | 17 |
| 1991/92*e | 2.1 | 7.3 | 5.7 | 15.1 | 14 |
| 1992/93*f | 2.4 | 6.3 | 5.9 | 14.6 | 16 |
| Cotton | | | | | |
| 1982/83 | 1.14 | 1.99 | 1.10 | 4.23 | 27 |
| 1983/84 | 1.53 | 1.81 | 0.87 | 4.21 | 36 |
| 1984/85 | 1.28 | 2.03 | 1.12 | 4.43 | 29 |
| 1985/86 | 0.48 | 2.78 | 1.19 | 4.45 | 11 |
| 1986/87 | 1.41 | 2.80 | 1.42 | 5.63 | 25 |
| 1987/88 | 1.43 | 2.40 | 1.21 | 5.04 | 28 |
| 1988/89 | 1.34 | 2.83 | 1.47 | 5.64 | 24 |
| 1989/90* | 1.67 | 1.85 | 1.70 | 5.23 | 32 |
| 1990/91* | 1.70 | 2.46 | 0.83 | 4.99 | 34 |
| 1991/92* | 1.45 | 2.77 | 0.66 | 4.88 | 30 |
| 1992/93*f | 1.35 | 2.74 | 0.80 | 4.89 | 28 |

* Observations are on a marketing year basis; rice (January/December) and cotton (August/July).
e = Estimate
f = Forecast

WORLD AGRICULTURAL TRADE
The United States and its Competitors
October-September Years
(Million Metric Tons)

| | U.S. | Competitors | Others | Total | U.S. Share % |
|---|---|---|---|---|---|
| Soybeans | | | | | |
| 1982/83 | 24.5 | 3.1 | 0.4 | 28.0 | 88 |
| 1983/84 | 19.3 | 5.0 | 0.9 | 25.2 | 77 |
| 1984/85 | 16.6 | 7.2 | 1.3 | 25.1 | [illegible] |
| 1985/86 | 20.1 | 3.9 | 1.6 | 25.6 | 79 |
| 1986/87 | 21.3 | 5.1 | 2.1 | 28.5 | 75 |
| 1987/88 | 21.0 | 5.2 | 1.8 | 28.0 | 75 |
| 1988/89 | 14.1 | 6.2 | 1.7 | 22.0 | 64 |
| 1989/90* | 17.0 | 8.6 | 1.8 | 27.4 | 62 |
| 1990/91* | 15.2 | 8.0 | 1.9 | 25.1 | 61 |
| 1991/92*e | 18.6 | 7.8 | 1.7 | 28.1 | 66 |
| 1992/93*f | 20.3 | 8.7 | 1.6 | 30.6 | 66 |
| Soybean Meal | | | | | |
| 1982/83 | 6.4 | 12.8 | 1.8 | 21.0 | 30 |
| 1983/84 | 4.9 | 11.7 | 2.1 | 18.7 | 26 |
| 1984/85 | 4.5 | 13.2 | 1.8 | 19.5 | 23 |
| 1985/86 | 5.5 | 12.8 | 1.9 | 20.2 | 27 |
| 1986/87 | 6.7 | 13.8 | 1.9 | 22.4 | 30 |
| 1987/88 | 6.2 | 12.8 | 3.2 | 22.2 | 28 |
| 1988/89 | 4.7 | 14.8 | 3.1 | 22.6 | 21 |
| 1989/90* | 4.8 | 18.0 | 3.2 | 26.0 | 18 |
| 1990/91* | 5.0 | 17.5 | 4.4 | 26.9 | 19 |
| 1991/92*e | 6.2 | 22.7 | 3.8 | 28.9 | 21 |
| 1992/93*f | 5.5 | 18.4 | 3.4 | 27.3 | 20 |
| Soybean Oil | | | | | |
| 1982/83 | 0.92 | 2.30 | 0.14 | 3.36 | 27 |
| 1983/84 | 0.83 | 2.48 | 0.16 | 3.47 | 24 |
| 1984/85 | 0.75 | 2.19 | 0.12 | 3.06 | 25 |
| 1985/86 | 0.57 | 1.85 | 0.11 | 2.53 | 23 |
| 1986/87 | 0.54 | 2.51 | 0.18 | 3.23 | 17 |
| 1987/88 | 0.85 | 2.13 | 0.27 | 3.25 | 26 |
| 1988/89 | 0.75 | 2.20 | 0.27 | 3.22 | 23 |
| 1989/90* | 0.61 | 3.03 | 0.30 | 3.94 | 15 |
| 1990/91* | 0.35 | 2.98 | 0.31 | 3.64 | 10 |
| 1991/92*e | 0.75 | 3.05 | 0.37 | 4.17 | 18 |
| 1992/93*f | 0.77 | 3.16 | 0.37 | 4.30 | 18 |

* Observations for the last three years are on a marketing year basis.
e = Estimate
f = Forecast

## AGRICULTURAL EXPORTS

Mr. DURBIN. Would you please provide for the record the top ten U.S. agricultural export markets, in terms of dollar value, for fiscal years 1991 and 1992, and the forecast for fiscal year 1993?

Mr. SCHROETER. The requested information will be provided for the record.

[The information follows:]

TOP TEN MARKETS FOR U.S AGRICULTURAL EXPORTS—FISCAL YEARS 1991, 1992, AND 1993

[In millions of dollars]

| Country | 1991 | 1992 | 1993 forecast |
|---|---|---|---|
| Japan | 7,720 | 8,362 | 8,100 |
| European Community [1] | 6,762 | 7,176 | 7,700 |
| Canada | 4,400 | 4,800 | 4,700 |
| Mexico | 2,879 | 3,667 | 4,100 |
| Former Soviet Union | 1,755 | 2,685 | 1,900 |
| South Korea | 2,154 | 2,195 | 2,300 |
| Taiwan | 1,735 | 1,911 | 1,900 |
| Hong Kong | 743 | 815 | 900 |
| Egypt | 691 | 707 | 600 |
| China | 667 | 689 | 400 |
| Other Countries | 8,027 | 9,307 | 9,900 |
| World Total | 37,533 | 42,314 | 42,500 |

[1] Includes former East Germany.

Note.—Ranking based on fiscal year 1992.

## AGRICULTURAL IMPORTS

Mr. DURBIN. Would you please provide for the record the top ten country sources for U.S. agricultural imports, in terms of dollar value, for fiscal years 1991 and 1992, and the estimate for fiscal year 1993?

Mr. SCHROETER. The sources for U.S. agricultural imports will be provided for the record.

[The information follows:]

TOP TEN SUPPLIERS FOR U.S. AGRICULTURAL IMPORTS FISCAL YEARS 1991, 1992, AND 1993

[In millions of dollars]

| Country | 1991 | 1992 | 1993 forecast |
|---|---|---|---|
| European Community [1] | 4,423 | 4,733 | 5,000 |
| Canada | 3,206 | 3,879 | 4,200 |
| Mexico | 2,523 | 2,270 | 2,600 |
| Brazil | 1,320 | 1,358 | 1,200 |
| Australia | 1,278 | 1,121 | ([2]) |
| Colombia | 766 | 871 | ([2]) |
| New Zealand | 856 | 848 | ([2]) |
| Indonesia | 659 | 789 | ([2]) |
| Turkey | 323 | 675 | ([2]) |
| Thailand | 485 | 647 | ([2]) |
| Other Countries | 6,718 | 7,055 | ([2]) |
| World Total | 22,557 | 24,246 | 24,500 |

[1] Includes former East Germany.
[2] Indicated country estimates not yet available.

Note.—Ranking based on fiscal year 1992.

REPRESENTATION ALLOWANCE

Mr. DURBIN. During fiscal year 1992, how much of the representation allowance was used in Washington and how much was used overseas?

Mr. SCHROETER. Of the $125,000 available for representation activity in fiscal year 1992, $93,630 of representation funds was used overseas and $31,173 was used in Washington.

Mr. DURBIN. Please provide for the record a listing of how the funds were used in Washington during fiscal year 1992.

Mr. SCHROETER. The requested listing will be provided for the record.

[The information follows:]

REPRESENTATION—WASHINGTON COURTESIES, FISCAL YEAR 1992

| Date | Function | Amount |
|---|---|---|
| Oct. 1 | Administrator/Czechoslovakia | $95 |
| Oct. 22–23 | Administrator/NAFTA | 1,245 |
| Oct. 17 | Under Secretary/Soviet Delegation | 101 |
| Oct. 21 | Administrator/Netherlands | 85 |
| Oct. 28 | Under Secretary/Foreign Attaches/coffee | 158 |
| Nov. 1 | Secretary Madigan/Mexico/gift | 42 |
| Nov. 5 | Assistant Secretary/Tunisia | 1,584 |
| Nov. 21 | Administrator/Taiwan | 540 |
| Jan. 5 | Secretary Yeutter/Soviet Delegation | 443 |
| Feb. 8 | Administrator/Taiwan | 1,751 |
| Feb. 15 | Deputy General Sales Manager/Poland | 3,739 |
| Feb. 22 | Secretary Yeutter/FAO Director Saouma | 283 |
| Mar. 6 | Administrator/Foreign Attache Reception | 646 |
| Mar. 4 | Under Secretary/Mexico | 56 |
| Mar. 22 | Assistant Administrator/Japan/coffee | 119 |
| Mar. 25 | Secretary Madigan/Gifts for Foreign Diplomats | 860 |
| Apr. 8 | Administrator, Mongolian Agricultural Delegation | 421 |
| Apr. 8-10 | Korean Delgation/coffee | 556 |
| Apr. 11 | Assistant Administrator/Korean Delegation | 33 |
| Apr. 26 | Assistant Secretary/Mexico/lunch | 813 |
| May 13 | General Sales Manager/Canada | 167 |
| May 14 | White House team/Europe | 266 |
| May 22 | Agricultural Research Service/France | 175 |
| Jun. 3 | Deputy Assistant Secretary/Bulgaria | 228 |
| Jun. 4 | Assistant Administrator/Japanese/USTR | 163 |
| Jun. 14 | Secretary Madigan/Gifts | 102 |
| Jun. 17 | Under Secretary/Soviets | 1,285 |
| Jun. 19 | Secretary Madigan/Soviets | 42 |
| Jun. 24 | Director, Grain & Feed Div./IWC/London | 20 |
| Jun. 28 | Secretary Madigan/Gifts | 113 |
| Jul. 3 | Assistant Administrator/US-Japan Dairy Team | 140 |
| Jul. 11–12 | Assistant Administrator/Mexico/Canada | 97 |
| Aug. 14 | General Sales Manager/Australia | 627 |
| Aug. 14 | Deputy Secretary/Australia | 40 |
| Aug. 23 | Associate Administrator/China | 568 |
| Sept. 2 | Agricultural Research Service/France | 1,733 |
| Sept. 9–11 | Assistant Secretary/Algeria | 58 |
| Sept. 17 | Secretary Madigan/McSherry | 1,160 |
| Sept. 19 | Administrator/Foreign Attaches | 9,983 |
| Sept. 30 | Secretary Madigan/Gifts | 100 |
| Sept. 30 | Assistant Administrator/Thailand | 488 |
| Sept. 30 | Secretary Madigan/Canada | 48 |
| Total | | $31,173 |

Mr. DURBIN. Please provide for the record a listing of how the funds have been used to date during fiscal year 1993.

Mr. SCHROETER. The requested list of FY 1993 funds used to date will be provided for the record.

[The information follows:]

REPRESENTATION—WASHINGTON COURTESIES, FISCAL YEAR 1993 AS OF FEBRUARY 25, 1993

| Date | Function | Amount |
|---|---|---|
| Oct. 6 | General Sales Manager/Netherlands | $100 |
| Oct. 27–23 | Assistant Secretary/Mexico | 982 |
| Oct. 28 | Under Secretary/Foreign Embassy Attaches | 744 |
| Oct. 28 | General Sales Manager/CONASUPO-Mexico | 121 |
| Nov. 1–3 | Secretary Madigan/GATT negotiations | 2,706 |
| Nov. 4 | General Sales Manager/Philippines/coffee | 77 |
| Nov. 19 | Secretary Madigan/GATT negotiations | 1,000 |
| Nov. 12 | General Sales Manager/Alma Ata Govt. Office | 137 |
| Dec. 14 | Assistant Administrator/Saudi Arabia | 30 |
| Dec. 15 | Secretary Madigan/Gifts | 1,160 |
| Dec. 17 | Administrator/Foreign Embassy Attaches/reception | 2,658 |
| Total | | $9,715 |

PASSENGER MOTOR VEHICLES

Mr. DURBIN. Last year, you advised the Committee that FAS owned two vehicles located in Japan and both were of Japanese manufacture. Now that U.S. manufacturers are making right-hand drive vehicles, will those two be replaced with U.S.-manufactured vehicles when the time comes for their replacement?

Mr. SCHROETER. Only one vehicle will be replaced approximately 6 years from now based on our replacement cycle. At that time we will fully explore the feasibility of purchasing a U.S.-manufactured vehicle, taking into consideration availability of replacement parts and repair facilities. We understand that the Chrysler Corporation now manufactures a right-hand drive Jeep Cherokee, which would certainly meet our needs. We do not plan to replace the second vehicle when it becomes too expensive to maintain.

P.L. 480 DEBT FORGIVENESS

Mr. DURBIN. In September 1991, the Department forgave a total of $419 million of P.L. 480 debt owed by 8 African countries. Those countries were Ghana, Kenya, Madagascar, Malawi, Mozambique, Senegal, Tanzania and Uganda. How much of each country's debt was forgiven and is there any remaining balance?

Mr. SCHROETER. P.L. 480 debt was reduced for the countries you named under authority of Title IV, Section 411 of P.L. 480, as amended by the 1990 FACT Act. The following approximate amounts of P.L. 480 debt were forgiven for each country: Ghana

$95.8 million, Kenya $102.0 million, Madagascar $53.4 million, Malawi $2.2 million, Mozambique $52.9 million, Senegal $34.5 million, Tanzania $59.1 million and Uganda $16.3 million. Except for Senegal, these countries have no outstanding P.L. 480 balances.

Mr. DURBIN. Are there other countries that qualify for debt forgiveness under the law and in what amounts?

Mr. SCHROETER. The countries in Africa that have P.L. 480 debt are—Congo, Ethiopia, Guinea, Ivory Coast, Liberia, Senegal, Sierra Leone, Somali Republic, Sudan, Zaire, Zambia and Zimbabwe. These countries were not eligible for debt forgiveness under P.L. 480, Section 411 in fiscal year 1991. The law requires that the country be undertaking significant positive economic measures in conjunction with the International Monetary Fund or the World Bank. No section 411 appropriation authority was requested or provided in fiscal years 1992 and 1993.

Mr. DURBIN. What are the Administration's plans for forgiveness of old P.L. 480 debts?

Mr. SCHROETER. Of the $40 million appropriation provided under the Enterprise for the America's Initiative in fiscal year 1993, we have applied $39.6 million of this authority to forgive debt for El Salvador and Uruguay. We hope to use the balance to reduce part of Paraguay's P.L. 480 Title I debt should that country become eligible. It is expected that budget authority will again be requested to continue the reduction of some P.L. 480 Title I debt under EAI during fiscal year 1994, but the exact details are still being worked out.

Mr. DURBIN. Thank you very much.

Mr. Skeen?

SUPPLEMENTED CORPORATE PROMOTION

Mr. SKEEN. Thank you, Mr. Chairman.

And before we begin here, I am a supporter of MPP and thought it was a good idea, but let me ask you one question. I think this is bottom line.

In determining the so-called advancement in grants in this program, has any determination ever been made as to whether supplemented funds were already being expended by these corporations?

In other words, if Dole or McDonald's or somebody else had been budgeting for foreign sales, did this grant money then reduce their commitment to that effort? Or is that proprietary information that is not available to you? If not, why not?

Mr. MACKIE. We do not have that information, as I indicated in my answer to Mr. Durbin. We are trying to collect that information now, Mr. Skeen, and we hope to have it together in an aggregate format, not related to——

Mr. SKEEN. But is that part of your determination?

Mr. MACKIE. No, it is not.

Mr. SKEEN. Well, I think it should be, because if you are supplanting funds that these corporations have been willing to expend in foreign trade, I do not think government money ought to be used to reduce that commitment. It ought to be used to enhance it, and it ought to be information that is available to you.

Has it been denied specifically?

Mr. MACKIE. No, sir.

Mr. SKEEN. It has not. You just have not asked for it?

Mr. MACKIE. That is correct.

GATT ENFORCEMENT

Mr. SKEEN. I see.

Let me ask a question relative to GATT. I know that we have not finalized the agreement, but what kind of enforcement teeth are we going to have in this agreement? In the past after finalizing the agreements there have been violations, yet nothing ever happened.

Mr. O'MARA. Well, Mr. Skeen, that is a very good question, because there has been a lot of concern in the agricultural community as well with respect to countries living up to their GATT commitments.

Although it is not a part of the agricultural negotiation as such, there is a body that is dealing with dispute settlement and making that process more automatic, swifter and hopefully more effective than it has been. That part of the negotiation is ongoing and I cannot tell you at this time, sir, where that stands.

What I can tell you is that the issue is being addressed, and certainly from our point of view if the dispute settlement mechanism is not improved, then it calls into question the overall value of the entire agreement. But I can get you an update specifically where it is at this point in time if you will let me respond to you in writing.

IMPACT OF NAFTA

Mr. SKEEN. I would appreciate that very much.

Let us talk about the North American Free Trade Agreement. What kind of impact is NAFTA going to have on United States agricultural development? Is it beneficial or, is it harmful in the overall analysis. What is your estimation?

Mr. O'MARA. Well, I think that there are a couple ways that we might look at that, Mr. Skeen. First of all, the basis under which we negotiated this agreement was that there be no exceptions; that is, there be no commodity or program on the Mexican side or our side that would be exempt from the negotiations. So sugar——

Mr. SKEEN. No internal protection as far as exempting one agricultural product or another for either side?

Mr. O'MARA. Exactly. It was completely fair in that all commodity programs——

Mr. SKEEN. Were on the table.

Mr. O'MARA [continuing]. Were on the table. Yes, sir.

I think that where there is the strongest trade interest from the U.S. side is in the grains area, in poultry, in livestock and meat. Where there is some difficulty on the part of some producers is in fruits and vegetables, and sugar and peanuts.

On the latter ones, benefits were provided for a long-term transition covering 15 years in the case of sugar and peanuts. As far as an effect on current programs, we will go at least through one, if not two, farm bill cycles before there will have to be any review of those current programs.

With respect to the most sensitive, fruit and vegetables, these also have a long-term phase out period. They also have a special

safeguard mechanism which will ensure that trade does not go beyond a certain point if that is causing problems for the individual sector.

Now, overall the economic analysis that the department has produced and which, in fact, has been recently updated and will shortly be available for the subcommittee and the public, as I recall we are looking to a net gain of some $2 billion over what trade would be in any case by the end of the transition period, in 15 years. The trade with Mexico now, I think——

TRADING ADVANTAGES OF NAFTA

Mr. SKEEN. That much advantage on our side?

Mr. O'MARA. Yes, sir.

The trading relationship is already in our benefit with respect to Mexico, as well as Canada. And whatever that is at the end of the transition period, it would be $2 billion more at that point in time.

Mr. SKEEN. The implementation of the North Atlantic Free Trade Agreement, puts us in competition with what other entities that are organized in the same manner? European Economic Community? Pacific Rim Countries?

Mr. O'MARA. No, sir. In fact, it gives us a particular advantage in Mexico and Canada, because the benefits only accrue to the three members of this agreement. The European Community, which has significant market penetration in certain commodities like vegetable oils, for example, in Mexico now, will be at a competitive disadvantage, as this agreement is implemented, because the border eventually is going to be open between the United States and Mexico, but Mexico nor ourselves, for that matter, will have an open border with respect to the rest of the world.

Mr. SKEEN. Thank you.

Ms. DELAURO. Thank you. There has not been a coup. The chairman will be back shortly.

Mr. O'MARA. Nice to meet you, Ms. DeLauro.

Ms. DELAURO. Very nice to see all of you. It is a pleasure to see you. As you know, it is the first time for me on this subcommittee. I just had one or two questions, and ask you for some different additional information on the MPP program.

PARTICIPATION IN MPP BY LARGE AND SMALL BUSINESSES

Do you currently have data that indicates where in fact, with the companies that we have worked with, large or small, where we have broken—helped to break down these trade barriers in keeping with the objective of the program? Do we have any of that information, and can you inform us about any of that today?

Mr. MACKIE. We have some information in that regard, and I think I would like to supply that for the record.

[The information follows:]

## COMBATTING UNFAIR TRADE PRACTICES

As a result of coordinated efforts by the Foreign Agricultural Service, the Agricultural Counselor in Madrid, the Animal Plant Health Inspection Service, and the Northwest Horticultural Council, the Government of Spain officially lifted its import ban on U.S. apples effective January 24, 1992. Market Promotion Program funds were used to bring Spanish plant health inspectors to the U.S. on short notice to establish required phytosanitary procedures. Provided the agreed upon phytosanitary conditions are met, apples from the states of Washington and Oregon are permitted entry into Spain. For the period February through July 1992, U.S. apple exports to Spain totaled 1,288 metric tons, valued at $0.77 million.

In 1990, Japan's trade barriers to processed U.S. wood products were cited as Super 301 priorities under the 1988 Omnibus Trade Act. The positive trade impacts of the Forest Products Agreement initialed by Japan and the United States in April of that same year, have been further enhanced by the U.S. industry's sponsorship of "Super House," Japan's first multi-story, multi-family residential complex. Erected in cooperation with several Japanese third party cooperators who provided all capital investments, the U.S. industry utilized Market Promotion Program resources to provide architectural and engineering expertise, construction-related training and support, and promotion through tours, a nationwide publicity campaign, extensive technical seminars, and trade missions. This campaign has helped provide the impetus necessary to ensure compliance of Japanese codes and standards revisions with the terms of the Agreement. According to the Ministry of Construction, the Agreement when fully implemented, creates the opportunity for wood construction of over 3500 buildings which, the U.S. industry estimates, could increase sales of value-added U.S. wood products by $1 billion.

In fiscal year 1987, Tobacco Associates initiated a Turkish leaf utilization project to provide TEKEL--the Turkish tobacco monopoly--with the expertise and technology necessary for processing non-oriental tobacco. Tobacco Associates' agenda embraced leaf grading schools, trade missions, and the installation of a blending line utilizing re-conditioned equipment to provide the hands-on experience required to utilize U.S. flue-cured and Burley tobacco. As a result of these Targeted Export Assistance--precedessor to the Market Promotion Program--activities, the Government of Turkey lifted a 96-year prohibition on unmanufactured tobacco imports in 1988. The following table shows the value and volume of U.S. tobacco exports to Turkey for the period 1987-1992:

| | Year | | | | | |
|---|---|---|---|---|---|---|
| UNMANUFACTURED TOBACCO | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
| Volume (MT) | -0- | 1,912 | 3,126 | 2,974 | 10,993 | 21,997 |
| Value ($1,000) | -0- | $9,963 | $17,064 | $17,871 | $65,328 | $143,236 |

U.S. exports of soybeans and products to the European Community--EC--have been adversely affected by the existence of the EC's domestic production aids and crushing subsidies for oilseeds. In anticipation of increased export opportunities following the implementation of the U.S.-EC Agreement to limit EC oilseed acreage beginning with the 1994 crop, the American Soybean Association has used Market Promotion Program funds to promote soybean oil and meal in the marketplace.

Mr. MACKIE. I would like to point out, though, that the 1990 farm legislation changed the specific objective of the program. The program, when it was originally enacted in 1985, was specifically aimed at combatting unfair trade practices. The 1990 legislation makes the goal of the program market development and market expansion, with a priority to those commodities facing unfair trade practices.

Ms. DELAURO. Okay. Then, in keeping with that, you spoke about a list of 600, approximately 600. If you could provide us with a list of those 600——

Mr. MACKIE. We can do that.

[CLERK'S NOTE.—The information appears on pages 601 through 689.]

Ms. DELAURO. I am interested in some evaluation, not with all of them, but the major recipients, or the recipients of the major dollar amounts of funding, and how they have met the goals of the program in terms of increased market share in the new goals, the market goals, that would be very, very helpful in terms of taking a look at the program.

MPP CRITERIA CONCERNING GOALS

And the last question is, is there some criteria or a percentage at which you say, okay, we have reached such and such a percentage of market development, ergo, we then say, we are going to move out of this area and look at others? Is that—are there established criteria in terms of where we want to go and goals that we want to try to achieve in terms of market share?

Mr. MACKIE. There are goals for each program and specific activities, yes, ma'am. There are no specific criteria in terms of——

Ms. DELAURO. Do you have goals or criteria by which you judge what they have done?

Mr. MACKIE. I will answer that in two ways.

Ms. DELAURO. Okay.

Mr. MACKIE. Yes, we do, in terms of how they reach the goals, and in terms of whether or not—the exports of the product are still increasing. If that is the case, then we would view it as a good program. We have introduced an evaluation procedure in our allocation progress which helps us on a formula-type basis, judge whether or not the money being spent against the export levels would indicate that there is a problem in the program.

KEYS TO EXPANDING EXPORTS

I would point out, though, that market development sales activities are only one element of increasing exports. You have to have a quality product and be a consistent supplier and things of that nature. Trade policy barriers enter into it. So market development is only one element of increasing exports, but a very important one, we think.

Ms. DELAURO. Okay.

Mr. MACKIE. I would like to point out, in response to the point raised by Mr. Skeen and Mr. Durbin, in regard to the additionality as it was defined by GAO, I would not like to leave the impression that we are not concerned or it is not a legitimate point. Our objec-

tives in administering the program have been, first, to make sure that the money is accounted for and that we know where every dollar goes. And we do that, and we audit every activity.

The second objective has been to make sure that the projects that we are spending money on are effective, well designed programs, and I think I have explained the allocation procedures that we go through to do that.

The additionality of the funding, I think, is an important concern, but we have just not——

Ms. DELAURO. No, I think that that is a critical question.

Thank you. Mr. Peterson?

Mr. PETERSON. Thank you, Madam Chairman.

I have a few questions on the GAO report. It seems like you have all taken a hit here. And I do not see a great deal of sensitivity in that, other than a couple of comments.

RESPONSES TO GAO REPORTS

To go back to 1988. You also had a GAO report that was in some ways condemning. And I would like to know what actions have been taken to correct some of those problems.

And then an analysis of the most recent GAO report. If it was fair or unfair, constructive or unconstructive, and how you are going to handle that.

Mr. O'MARA. Phil, would you answer that.

Mr. MACKIE. In specific regard to the MPP program, I think that since 1988 that we have done several things. We have instituted specific regulations that have been published. We spelled out specific criteria for allocating the funds. We have implemented audit procedures. We have done a lot of things in the administration of the programs.

Your comment on the reaction to the GAO report, I think, is a fair one in the sense that we have heard these criticisms in the GAO report numerous times over the past years. And I think that some of them are valid, and we have tried to adapt and modify the program to meet those concerns. And some of them result from taking a different viewpoint or approach as to how the program should be operated. The size breaks on firms and things like that is a good example of that particular point.

Those criteria are not in the legislation under which the program operates.

Mr. PETERSON. And so there is a difference in management policies. Are you going to continue to do it in the way that you have been doing it?

Mr. MACKIE. Sir, we have not lost one dollar in this program since its inception.

Mr. PETERSON. Well, I am not sure that is your mission. And I think that that is what the GAO is trying to drive at.

Are we maybe getting the biggest bang for the buck in the process?

Mr. MACKIE. Well, I think, of course, we are probably not yet getting the biggest bang. We are striving to get the biggest bang. The procedures and elements that we have implemented are designed

to improve the program with the basic goal of effectiveness in terms of increasing exports.

If it is not effective in increasing exports, then funding for that particular program is reduced.

RECRUITING EXPORTER INTO MPP

Mr. PETERSON. In one of the statements, if I heard the gentleman correctly, he said that there were cases where your department has called up an individual and said "hey, there is money available, why don't you send us a letter, and we will send it to you."

Are you in the business of recruiting exporters in this plan?

Mr. MACKIE. I think that we are in the process of recruiting exporters through the participants in the program. I think that a major goal is to increase interest in U.S. business in exporting overseas. And I pointed out the seminars that were held through the state and regional organizations last year.

We are not in the business of calling people up and saying hey, we have a pot of money here, come down and get it, which was the implication, in the report. The report I think was accurate, some of the participants in the program have probably done that sort of thing. That is not an effective way to go about doing business. That is not the way that we view the program. We do not view it as a grant program. We view it as a cost share joint program between the government and private industry.

Mr. PETERSON. So the comment was not accurate in that regard?

Mr. MACKIE. The comment may very well have been accurate. I do not know the specific nature of it. It did not come from anybody in the Department of Agriculture. It may have come from one of the participants.

What I am saying is that the person who made such a comment, if it were made, was doing it with an unfair understanding of the way that we view the program.

IMPROVEMENTS BASED ON GAO REPORTS

Mr. PETERSON. The GAO report is based on constructive criticism.

You know, we spent a lot of money on this GAO report.

Was that money invested in a constructive improvement for your agency?

Can you carry this report back and make improvements in the agency to do it better?

Mr. MACKIE. Sir, the GAO report, was essentially a compilation of all the reports that they have done on us over the last five or six years.

As I said, I think that some of them have been very constructive, some of them relate to a difference of philosophy in terms of how the program should be operated, and some of them relate to a philosophy of how agricultural programs should be judged or related to export promotion programs of the government as a whole.

Some of those comments I think we can, and we have implemented. Some of them are really of a broader nature for consideration by the Congress.

Mr. PETERSON. Well, I get the impression that, "The GAO, the hell with it," essentially. "We are ag people, and how could GAO possibly understand how we do business?"

Am I getting the wrong impression here?

Mr. O'MARA. Mr. Peterson, I think that you are getting the wrong impression. I would like Mr. Mackie to give a few specific examples of where indeed we have taken GAO suggestions and put them into practice. It is clear that certainly in all cases we have not done that. But there are clearly specific examples of where indeed that has been done.

Mr. PETERSON. I will drop that. I just do not want you all to be in an adversarial mode here.

Based on these reports, everybody is going to have to go through an oversight process. And you have to pick out those things that are going to constructively improve your operation. And on those things that you disagree, of course, you take into account.

But it cannot be the adversarial circumstance where the GAO is wrong, and they have been wrong since 1973, and we are not going to change.

In the report, they were I think quite accurate to suggest that you were actually operating almost autonomously in dealing with agricultural exports, and that you do not have a government-wide program.

COORDINATION WITH THE DEPARTMENT OF COMMERCE

You operate independently. I am not even sure that you deal with the Commerce Department in this. And so we do not have and you do not have them a big picture, which may place you out of touch with government policy, and what in fact is happening in the world.

I think that the case in Iraq may or may not have been a good case, although I understand that you recommended shutting that down a little earlier than what the government eventually did.

So how do you propose or how could you suggest to Secretary Espy to get yourselves into the bigger loop in this process?

Mr. O'MARA. Mr. Peterson, does your question go to market promotion specifically?

Mr. PETERSON. Yes, but also the development of the markets overseas for ag exports, which is essentially your job.

Mr. O'MARA. Okay, fine. I was not real sure whether you were also talking about trade policy and trade negotiation as well.

Mr. PETERSON. Your mission is to increase exportation of ag products, is it not?

Mr. O'MARA. Yes, sir. I will ask Mr. Mackie to describe the process in the department and the interface that he and the members of his staff have with the Department of Commerce in that respect.

Mr. MACKIE. Mr. Peterson, we work quite closely with the Department of Commerce, particularly with the Foreign Commercial Service in our overseas offices. We share a common goal of increasing exports out of the United States. There is a mechanism within the Administration, the Trade Promotion Coordinating Committee, where we meet jointly not only with Commerce but with the other

agencies that are involved in export promotion to share ideas, and to coordinate our activities.

We have used the Department of Commerce's domestic field office network and their system for providing information to prospective exporters. We work quite closely with them.

GOVERNMENT-WIDE TRADE STRATEGY

Mr. PETERSON. Then how do you account for their report on page 30 that says, "The ag programs are not linked to a government-wide export promotion program"? I assume by that that you were not really plugged in. And if you were plugged into all of the other agencies, then this is not correct.

Mr. MACKIE. Mr. Peterson, I think that what the GAO is referring to there is the trade strategy question, which gets to the question of targeting specific commodities and specific products, aircraft against soybeans, and that sort of thing. The government does not have that particular type of approach to export market development at this time.

Mr. PETERSON. Would that be a positive move, to do something of changing that policy within agriculture?

Mr. MACKIE. Within Agriculture. Mr. Peterson, I believe that we have treated the application of our programs with participants and with companies on a fair and equitable basis. We have worked with the participants, and with our overseas staffs, and with our Washington offices to develop these programs. And we have applied them on the basis of which, using the criteria that I mentioned earlier, would be the most effective in determining exports.

I am not sure that we have the expertise or the market knowledge to choose specifically between commodities and say okay, we do not think that beef will pay off in Mexico, let's not support promotion of beef in Mexico. I am not sure that the bureaucracy in Washington has that ability.

What we can do is measure whether or not sales are increasing in Mexico, whether or not programs have been apparently effective in doing that, whether it works. It is a joint type program.

Mr. PETERSON. Well, I have taken more than my time here. I still feel that you are looking at micro, and I am looking at macro. Your job is to help increase agriculture exports.

Mr. MACKIE. That is correct.

Mr. PETERSON. And to participate in a more government-wide focus with agriculture, and airplanes, and bullets, and everything else it seems to be. You may not have the expertise, but I do not know who else would if you do not. And we have got to focus again on your mission.

P.L. 480 TITLE I AGREEMENTS

Mr. MACKIE. On page 6 of your written testimony for the subcommittee, you reference the fact that P.L. 480 Title I agreements have been made with six countries in fiscal year 1993. I have noted that five of those six countries appeared on a list of countries not fully paid up on previous loans as of January 31, 1992. That list was supplied last year by the Foreign Agricultural Service and appears on page 352 of Part 2 of last year's hearing record.

Are those five countries currently up to date on their scheduled payments? If not, why have they been granted additional loans?

Mr. SCHROETER. Prior to authorizing signature of a P.L. 480 Title I agreement, we confirm that the country is current on its payment obligations under previous Title I agreements, including rescheduled debt. It is our policy to withhold agreement signature until any issue on Title I arrears is resolved. All six countries—Costa Rica, Egypt, Jamaica, Lithuania, Morocco and Zimbabwe—were current on their Title I debt obligations when their fiscal year 1993 agreements were signed.

Mr. DURBIN. Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

I just want to encourage you to do more. Certainly the farmer-producer out there needs help getting it from the farm and sold someplace. We have the capacity to over-produce in this country, which is a blessing, and one which we have not always used as a blessing. We have treated it at times as a problem. Over production can be a problem, if we do not sell the products.

I have been critical of the GAO report, because I felt they have been focused on chasing the wrong rabbit. They have been more concerned about the efficiency of the system, and whether the right hand knows the left hand, and the ultimate goal of selling product. I saw little attention that GAO has given towards really doing the job of selling.

I think that is where you are focusing.

Mr. O'MARA. Thank you, Mr. Myers.

### AGRICULTURES PRESENCE OVERSEAS

Mr. MYERS. I wish you good luck, and keep on the selling. Actually, you need more help. And I spoke to the GAO folks awhile ago. Mr. Smith and I just came back last week from overseas, and we just do not see enough agriculture being sold overseas. Not that there is always a market there. But every place we went, the Commerce Department is going to keep their people there, but we are constantly turning down and eliminating agricultural people in all of the embassies.

So if we are not going to have attaches in the embassies, somebody has got to do it. And the agricultural export offices, and these trade offices, and these centers are going to help sell hopefully.

So you folks have to do more and more, it seems to me like, and you need all of the encouragement that you can get, and all of the help. So keep up the good work.

Mr. O'MARA. Thank you.

Mr. MACKIE. Thank you.

### P.L. 480 PROGRAM

Mr. MYERS. Section 411 of the Agricultural Trade and Development Act of 1954—as amended—provides for the debt forgiveness for least developed countries that are on an economic program approved by, or consistent with, the IMF/World Bank. Please provide for the record which relatively least developed countries in Africa still owe P.L. 480 debt? What is the face value of each African country's P.L. 480 debt?

Mr. SCHROETER. We will provide that data for the record.
[The information follows:]

P.L. 480 DEBT OUTSTANDING BY AFRICAN COUNTRY (AS OF DECEMBER 31, 1992)

| Country | P.L. 480 principal outstanding | P.L. 480 rescheduled outstanding | Total princ. & resch outstanding |
|---|---|---|---|
| Congo | $9,010,353 | $97,303 | $9,107,656 |
| Ethiopia | 1,042,865 | | 1,042,865 |
| Guinea | 74,671,329 | 20,224,727 | 94,896,056 |
| Ivory Coast | 39,938,593 | 519,269 | 40,457,862 |
| Liberia | 88,808,674 | 3,063,210 | 91,871,884 |
| Senegal | 7,559,313 | | 7,559,313 |
| Sierra Leone | 61,527,747 | 569,303 | 62,097,050 |
| Somali Republic | 140,456,962 | 6,343,517 | 146,800,479 |
| Sudan | 433,057,271 | 5,761,535 | 438,818,806 |
| Zaire | 207,795,620 | 75,923,758 | 283,719,378 |
| Zambia | 113,508,034 | 10,582,092 | 124,090,126 |
| Zimbabwe | 46,701,257 | | 46,701,257 |
| Total African debt | $1,224,078,018 | $123,084,714 | $1,347,162,732 |

### P.L. 480 PROGRAM

Mr. MYERS. Because of new budget requirements, a special appropriation is needed to forgive P.L. 480 debt. How much is needed in appropriated dollars to forgive $10 million in P.L. 480 debt? Does the Clinton Administration have any plans to deal with old P.L. 480 debt?

Mr. SCHROETER. These calculations vary from country to country based on Credit Reform Act assumptions and estimates of the net present value of each country's debt. However, last year, an estimate was made that, on average, approximately $1.2 million of budget authority would be needed to forgive every $10 million of P.L. 480 Title I debt owned by countries of sub-Saharan Africa. We have no reason to believe this estimate would have changed greatly from last year. At this point, the new Adminstration has not had time to consider any debt reduction initiatives for P.L. 480 Title I debt, although it is fair to say that budget constraints are likely to play an important role in any review which is undertaken.

Mr. DURBIN. Thank you, Mr. Myers.

Mr. Pastor?

### LONG-TERM AGRICULTURAL TRADE STRATEGY—LATS

Mr. PASTOR. Mr. Chairman, I read a comment that said "lean and mean". And I agree with Mr. Myers, that we want to make you more effective. Because if you are not effective, then the farmers that I represent in my district and agriculture as a whole will not benefit. So the questions that I ask will be to see how we can become more effective.

Long term agricultural trade strategy, the LATS, mandated in 1990, was completed I guess in late 1992. I asked the GAO if they had seen it and they said they had a preliminary analysis. Their response, I conclude, is DOA, dead on arrival.

Do you want to comment on that one?

Mr. O'MARA. Mr. Pastor, I am going to ask Mr. Mackie to answer this question. I was not involved in the formulation of that report, but I think that it is fair to say that there has been a lengthy time in getting this report back.

Mr. PASTOR. My understanding is 1990 to 1993.

Mr. O'MARA. Yes, sir. We apologize. I think that Mr. Mackie's comments will be helpful in helping you and the Subcommittee to understand that that has not been entirely because there was no interest in the Department in doing so. It was in fact a difficult piece of work to put together.

I think even though it was not timely, and we accept that and we apologize for that, we want to make sure that the Subcommittee understands that we fully intend to pursue a strategy that does include programs that you and Mr. Peterson and other members of the Subcommittee are talking about, as well as the trade policy aspects that are part of this whole picture.

Mr. PASTOR. Let me interrupt for a minute. We will probably have a vote sometime after 12:00. So if you could go to the question. I accept your apology.

Mr. O'MARA. Fair enough.

Mr. PASTOR. I accept your apology.

### RESPONSE TO GAO CONCERNS ON LATS

Now the preliminary report that I heard from the GAO was that after two years of this, that it is the same old thing. Status quo, DOA, dead on arrival. I would like to have a comment on it, because I am going to ask you some questions specifically on your testimony. I am giving you a chance to say that they are wrong or they are right. And do not dance too much on the floor. Just kind of be specific here.

Mr. MACKIE. The document that was submitted to the Congress was an overall viewpoint as to the way that the previous Administration viewed the way that programs should be integrated, and how the government should approach the overall market. It is a statement of general principles.

There is detailed country-specific information which backs that up. We have chosen not to publish that information. It is available to the Congress and the staff to look at. But we have used that information, which lays out where we think the best market prospects by commodities are, and what the specific problems in those markets are.

We use that in terms of designing the MPP program and the allocation process. We use it in designing and allocating the credit programs in the Public Law 480 programs. We have used it in terms of judging where we should put our office strength emphasis overseas, we had to close five offices in the last year, because of resource constraints.

So there is specific information of that type which is developed on an ongoing process in the Foreign Agricultural Service, and it is used on a day to day basis. It is separate from the document that was sent out.

TARGETING MARKETS THROUGH LATS

Mr. PASTOR. According to your testimony, we are targeting newly emerging markets in Africa, Latin America, and elsewhere.

So if I were to ask you, and maybe you can give the information right now, if I were to ask about Central America, you could pull out a file that would tell me what trade shows would target that particular area, what commodities or high value products are going to be promoted, what companies are going to be subsidized.

Do we have a plan like that?

Mr. MACKIE. We have that type of information. It does not go down to specific companies. We are not looking at that.

Mr. PASTOR. How specific is it, let me ask that question?

Mr. MACKIE. It is specific in that it picks out by commodity the 15 top markets which we think are the best market prospects over the next five to six years. That is required in the legislation. It looks at the specific trade barriers that will prevent us from achieving those goals. And it looks at the types of general activities that we should be undertaking in those markets.

Mr. PASTOR. When does it get to the detail, we are going to do a food show in San Salvador, and then we are going to bring in these people, and we are going to push beef, so we are going to get the Beef Council involved, or maybe they want more hamburger, so we will give them a chance to be competitive, when do you make those types of specific decisions?

Mr. MACKIE. Those types of specific decisions are made when we are evaluating the programs themselves as distinct from the strategy. The strategy and the information that I have just described gives us a framework to judge the allocation of resources under the Market Promotion Program, the export credit programs, the Public Law 480 programs, the trade show programs, and things of that nature.

So it is used as a background tool to judge the proposals which come either from inside the Department or from the participants who take part in our programs.

Mr. PASTOR. How far ahead does your long-term strategy reach?

Mr. MACKIE. It is six years, sir.

Mr. PASTOR. Six years.

Mr. MACKIE. That is required in the legislation.

Mr. PASTOR. I would be interested in the strategy for Latin America.

Could you make that available to me?

Mr. MACKIE. Certainly.

Mr. PASTOR. Thank you very much.

[The information follows:]

LATS PRIORITY COUNTRIES

Two groups of Priority Countries are identified in LATS, the top 15 for Bulk/Intermediate and the top 15 for Consumer-Oriented Commodities. These countries have been designated as the priority countries most important for the U.S. to focus on to reach the benchmark of maintaining overall U.S. market share.

METHODOLOGY—HOW THE PRIORITY COUNTRIES WERE SELECTED?

Results from the LATS ranking methodology yielded a list countries for each agricultural commodity (ref. page 17–18 "Long-term Agricultural Trade Strategy").

Using the top 15 countries from each individual commodity list, a matrix of X countries by Y commodities was formed. From this matrix of countries and commodities, the priority countries were selected from a ranking of all countries based on an index of the total (summed across all LATS commodities) estimated increase in U.S. exports that best maintained the overall U.S. market share. Within each Priority Country, all commodities for that country. For all country/commodities priorities, specific strategy write-ups completed as part of the LATS.

LATS COVERAGE IN LATIN AMERICA

The LATS coverage in Latin America focuses on Mexico and Venezuela. These two countries to be most important to maintaining overall U.S. market share of world trade in agricultural commodities. All other Latin America countries fell lower in the ranking and did not attain the status of "Priority Country" due to a number of factors used in the formulation of the LATS priorities. This is not to say that Latin American countries are not important. Each Latin America county is an important part of U.S. agricultural exports, however, for the purpose of designating priority it may not have ranked high relative to other countries.

Mr. DURBIN. A member of the Subcommittee, Congressman Jim Walsh, has questions he would like answered for the record.

MARKET PROMOTION PROGRAM

Mr. WALSH. In light of the controversy that has surrounded the MPP what changes have been implemented to tighten the program requirements in order to combat the perception that much of this program provides funding to multinational corporations and foreign companies.

RESPONSE. In implementing its legislative mandate, for the Market Promotion Program—MPP, the Department makes every effort to ensure that all interested entities have an equitable opportunity to participate in the program. Multinational corporations and foreign companies do receive funding under this program as the program does not legally allow the Department to differentiate between small or large food corporations in terms of eligibility to participate in the branded program.

Indirectly, the Department already has primarily addressed the perception that multinational corporations and foreign companies are receiving a disproportionate share of total MPP funding through activities conducted by the four state regional trade groups which primarily assist those companies exporting speciality products not represented by commodity-oriented trade associations. The Department is fully committed to increasing the participation of small and medium-sized firms in the MPP. More than 375 companies, compared to 269 companies in 1992, have applied for participation in the 1993 brand programs conducted by the state regional trade groups. To further broaden participation in the MPP, in 1992 the Department provided support for 36 seminars for small and disadvantaged businesses covering 32 States. These seminars explain the Department's export assistance programs and provide technical training in export marketing, financing and shipping. Due to the success of these seminars, a similar program is planned in 1993.

Mr. WALSH. Do companies, as a precondition for participation in the MPP, have to document additionality; that is, the increased sales attributed to the MPP? What progress has FAS made in ensuring that companies provide this information?

RESPONSE. To date, the Department has not specifically imposed a requirement to document additionality as a precondition for participation in the Market Promotion Program. What participants are required to provide is a benchmark and goal for each activity. Periodic status reviews and activity evaluations are conducted to measure progress towards achieving the established goals. This information, along with other factors, has been taken into account in determining the continuation of programs and/or future funding levels.

Those participants authorized to conduct brand promotion programs must submit to the Foreign Agricultural Service for review and approval, its procedures and criteria for distributing funds among companies. For most organizations, one such factor is prior year's export performance in relation to prior year's export goals. Evaluations are also required of brand promotion activities.

Mr. WALSH. How much MPP funding is going to foreign companies and explain how this funding would benefit U.S. agricultural producers?

RESPONSE. The amount of MPP funds budgeted by foreign companies in 1991 and 1992 was $12.6 million and $17.3 million, respectively. It is important to recognize, however, that these amounts include $7.7 million in 1991 and $11.2 million in 1992, allocated to Cotton Council International—CCI—to support licensing promotion

agreements between CCI and foreign manufacturers. Under the licensing agreements, CCI, using the MPP funding, produces advertisements utilizing the COTTON USA emblem and shows a licensed manufacturer's product within the CCI advertisement. In turn, the licensed manufacturers produce at their own costs advertisements and include CCI's COTTON USA emblem. CCI does not, therefore, reimburse foreign manufacturers for the cost of their promotional campaigns.

First and foremost, the Department is committed to promoting the U.S. contents of products, thereby benefiting the American producer. The brand, whether it be U.S. or foreign, only serves as the vehicle for accomplishing this objective. In some cases, foreign brands provide the most economical and practical way to promote U.S. agricultural commodities. Other times, foreign brands are used to overcome certain market access restrictions. In any event, the end result is the same—increased exports for U.S. agricultural commodities and products.

Mr. Walsh. In the operations of the MPP there has been a substantial increase in the number of new MPP commodity groups that have been granted participant organization status by FAS, thereby making them eligible for access to MPP funds, i.e., New York Wine and Grape Foundation.

As I understand it many of these new commodity based participant organizations were previously associated with state regional trade groups like EUSAFEC. However, these new participant organizations and the companies producing products from those commodities are prohibited from participating in EUSAFEC and other state regional trade groups' export promotion programs.

As more of these commodity groups form participant organizations and become eligible for MPP funds that leaves a smaller playing field for state regional trade groups to choose from. That reduces the number of companies and products available for inclusion in state regional trade groups' export development programs. Even more important is that these new commodity based participant organizations are spending hard to get U.S. industry funding to develop their own administrative capabilities which duplicate those that already exist within EUSAFEC. A continuation of this process could jeopardize EUSAFEC and other state regional trade groups as state departments of agriculture will withdraw financial support from these regional organizations. Is FAS aware of the potential problems caused by the subordination of state regional trade groups to commodity participants in export promotion programs funded from the Market Promotion Program and what is FAS planning to do to address these concerns?

Response. The Foreign Agricultural Service does not agree that its current policy works to subordinate state regional trade groups to commodity organizations receiving Market Promotion Program—MPP—funds. Consequently, we do not foresee potential problems surrounding this issue.

In determining allocations, the Department reviews each application in accordance with regulatory requirements and criteria. We consider such factors as management capabilities, contribution levels, adequacy of the strategic plan, and prior export experience. Given the limited availability of funds, it is essential that we allocate funds in the most judicious and effective manner possible. This includes eliminating support to the same commodity through two different groups, thereby avoiding duplicative programs. This has been a long-standing policy and ensures the equity of the allocation process.

We recognize that the state regional trade groups play an integral part in assisting new industries explore market opportunities overseas. However, there normally comes a time when new-to-export industries develop enough expertise to manage their own programs. Such was the case with the New York wine industry, the popcorn industry, and the honey industry. Working with commodity groups ensures that market development programs are planned and implemented by people who know their specific industry. They are also able to focus directly on the needs and issues facing their particular commodities in the marketplace.

### EXPORT ENHANCEMENT PROGRAM

Mr. Walsh. Although the Bush administration negotiated a tentative draft agreement on agriculture in the GATT negotiations, the resolution of the GATT round is nowhere in sight. With the GATT triggers scheduled to go into effect in fiscal year 1994, do you think the EEP will be effective and act as an impetus for encouraging the European Community to conclude the GATT negotiations?

Response. The GATT triggers, in part, mandate that the Department increase the export promotion programs by $1 billion over the period fiscal years 1994–1995. The Administration and the Department are analyzing how best to use those additional resources. The most likely avenues of achieving the intended goals of the triggers

would be through program level increases for the Export Enhancement Program, the GSM programs, the Market Promotion Program, or a combination of these programs.

Mr. WALSH. In your testimony, you mentioned that high-value exports now represent 55 percent of U.S. trade and are the fastest growing sector of the global market. What is the current percentage of EEP expenditures on high-value or value-added agricultural commodities? Why aren't we providing more funds for value-added agricultural commodities? (The 1990 Farm Bill set the objective that 25 percent of the value or volume of exports under the EEP be in the form of high-value or value-added commodities.)

RESPONSE. USDA routinely makes opportunities available for intermediate and consumer-oriented product exports under EEP. Thus far in fiscal year 1993, 5 new initiatives for intermediate and consumer-oriented products have been announced and 25 initiatives for such products have been renewed. At present, 35 of the 80 EEP initiatives with outstanding balances are for either intermediate or consumer-oriented products.

While USDA provides exporters with opportunities to make sales of intermediate and consumer-oriented products under the EEP by making initiatives available, many of the initiatives for these products expire with unused balances. If, at any given time, sales for the amount of outstanding EEP balances on all initiatives were completed, between 30 and 40 percent of the bonuses awarded would be spent for intermediate and consumer-oriented products. Unfortunately, sales made under EEP, not the lack of opportunities, have resulted in only 14.5 percent of the bonuses being awarded to exporters of intermediate and consumer-oriented products for fiscal year 1993 as of February 18.

### P.L. 480 (FOOD FOR PEACE)

Mr. WALSH. Has the Enterprise for the Americas program been successful in encouraging qualifying countries to support environmental-related activities such as debt-for-nature swaps?

RESPONSE. In October 1992, amendments to the Enterprise for the Americas Initiative were enacted which provide authority for the sale of CCC rescheduled export credit debt to support the environment through debt-for-development and debt-for-nature swaps. No fiscal 1993 appropriations were made for these sales. However, we have signed Americas framework Agreements with Jamaica, Chile and Bolivia which provide for interest payments on P.L. 480 Title I debt reduced under the Enterprise for the Americas Initiative to be paid into an account for environmental uses. These countries are currently developing commissions to manage the funds which will ultimately be disbursed for environmental projects. We expect to sign similar Americas Framework Agreements with El Salvador and Uruguay shortly.

Mr. WALSH. What P.L. 480 activities have been established in Eastern Europe and how do our export promotion activities compare to the export promotion activities of the European Community?

RESPONSE. In fiscal 1993, USDA has thus far allocated $90 million in P.L. 480, Title I funds for concessional sales and Food for Progress grants to six countries in Eastern Europe: Albania—$15 million, Estonia—$25 million, Latvia—$5 million, Lithuania—$25 million, Moldova—$10 million, and Romania—$10 million. In fiscal 1992, $73 million was allocated to Eastern European countries under Title I.

The European Community has built an aggressive program of ECU 45 million—$53 million—in food aid to the Baltic Republics, of which about 50 percent has been delivered to date. The EC is also holding intervention stocks as special aid for the Baltics.

Moldova has received ECU 27 million—$31 million—of food and medical credits under the European Community's ECU 1,250 million—$1.272 billion—credit package for the NIS.

### DAIRY EXPORT INCENTIVE PROGRAM

Mr. WALSH. Last year, aggressive utilization of the Dairy Export Incentive Program (DEIP) was a significant factor in propping up milk prices. (NMPF estimated that the program increased milk prices by 55 cents per hundredweight.) With milk prices for farmers forecast to be significantly lower this year, is FAS and the Clinton Administration going to continue to aggressively utilize the Dairy Export Incentive Program (DEIP) to strengthen milk prices for dairy farmers?

RESPONSE. On January 19, 1993, we announced the calendar year 1993 DEIP program to promote the export of 204,020 metric tons (MT) of milk powder to 97 countries, 48,415 MT of butterfat to 76 countries, and 5,800 MT of cheese to 13 countries.

This represents an increase over the aggregate allocations announced under the 1992 DEIP program which led to the sale of 155,486 MT of dairy products. Given market conditions, we anticipate that sales under the 1993 DEIP will be at levels similar to 1992.

BARTER ISSUES

Mr. WALSH. The defaults by Russian on U.S. export credit guarantees have raised questions about Russia's creditworthiness. I am pleased to see the willingness of FAS to pursue non-traditional trading channels with the many countries of the former Soviet Union and I strongly support FAS's decision to allow third country barter transactions. With the instability in Russia, the Ukraine and the other former states of the Soviet Union likely to continue for some time I believe that U.S. export programs should pursue increasing barter arrangements with Russia. What is FAS's attitude toward expanding barter trade and what does FAS see as the advantages and disadvantages of government-to-government or government-to-private sector barter?

RESPONSE. Let me point out that the EEP modifications allowing third country buyers, which deviate from normal program requirements, was not an effort to stimulate barter trade. The modifications provided U.S. exporters access to additional trade flows with the former Soviet Union. Exporters can now enter supply contracts with "offshore" firms that are able to finance the purchase of the U.S. agricultural commodities for delivery to the former Soviet Union. The ability of the "offshore" firm to finance the transaction may or may not be based in barter. Our presumption is that beyond simple barter, these sales are being financed through countertrade which can include more complex, linked trading transactions that can extend over varying periods of time.

FAS's view is that classic barter is a relatively inefficient means of trade and that the U.S. Government would normally be less efficient in carrying out barter transactions than would the private sector. However, as indicated by our change in the EEP to permit offshore buyers, FAS is interested in exploring efficient non-traditional means of trade finance to expand U.S. agricultural trade. For example, we are examining the possible utilization of our commercial export credit programs in private sector countertrade to see if this could stimulate the export of U.S. agricultural commodities to the former Soviet Union. We are also participating with the Interagency Group on Countertrade, chaired by the Department of Commerce, as part of this effort.

AGRICULTURAL EXPORT PROGRAMS IN CHINA AND THE PACIFIC RIM

Mr. WALSH. What has been the success of our agricultural export programs in China and the Pacific Rim countries? How much do we sell to these countries and what are we doing to promote increased sales of U.S. agricultural commodities to Pacific Rim countries?

RESPONSE. We continue to be pleased with the impact our programs are having on the export of U.S. agricultural exports—excluding forest products—to China was approximately $690 million, up almost 5 percent from the previous year; for the Pacific Rim, this total reached $15.8 billion, 8 percent higher than the previous year, and over 5 percent higher than the five year average for this region. We continue to be optimistic about opportunities for U.S. agricultural products in these markets and endeavor to guide the Department's coordinated marketing efforts to these markets in a manner that will result in the greatest impact for all those involved in the programs.

Presently, the China market is highly price-sensitive and imports are primarily wheat and cotton. However, the U.S. has been very successful in exporting bulk agricultural products to this highly competitive market. For example, due to specific marketing activities, including the Export Enhancement Program, for fiscal year 1993 through February, the U.S. had sold roughly 2 million tons of wheat. Furthermore, we expect to capture greater than one-third of this highly competitive market, reaching nearly 8 million tons this year. Marketing efforts for intermediate and consumer-oriented U.S. agricultural products are now at the grass-roots level and are beginning to have an initial impact upon this vast, developing market.

Also of particular importance are highly successful agricultural marketing efforts in Japan, a developed market which has imported U.S. agricultural products valued at nearly $8 billion per year over the past five years. Japan is the world's largest net importer of agricultural products, and although the value of U.S. agricultural imports declined by 2 percent in 1991—the most recent complete data available—the U.S. remained the top supplier of food products to Japan, with a 35 percent

market share. Import demand is expected to grow as consumption rises faster than production. Moreover, recent market liberalization and changes in the Japanese lifestyle should create new opportunities for U.S. products.

Examples of success in Japan include:

Promotional efforts undertaken by the California Pistachio Commission have convinced Japanese importers and retail trade of the superior quality of California pistachios. Due in part to Targeted Export Assistance/Market Promotion Program supported activities, exports of California pistachios to Japan increased 80 percent in volume and 95 percent in value for the period September 1991 through April 1992 compared to the same period the previous year.

Sunkist Growers, a Market Promotion Program/Export Incentive Program participant, launched an extensive advertising and sales promotion program to regain its Japanese market share which decreased as a result of the 1990/91 crop freeze. Exports of navel oranges to Japan posted a new carton sales high of 2.8 million cartons during 1991/92, representing a 33 percent increase over the previous high.

The 1991 Japanese liberalization of beef imports prompted the Meat Export Federation to conduct a Market Promotion Program-funded, multilevel campaign aimed at consumers, the trade and the retail sector. As a result, six of Japan's largest supermarket chains purchased 35 percent more U.S. beef in 1991 compared to 1990. U.S. market share also increased from 36 to 40 percent, while Australia's and the domestic market share decreased two and four percentage points, respectively.

Taiwan, a traditional market for U.S. bulk and intermediate agricultural products, is rapidly becoming an important market for U.S. value-added agricultural products. Continued economic growth, coupled with Taiwan's agricultural trade policy reform, should significantly boost imports of U.S. agricultural products, particularly in the high-value sector, during this decade.

Examples of success in Taiwan include:

According to an independent survey, purchase frequency of California kiwifruits by Taiwanese consumers decreased from 13.6 times per year in 1989/90 to 10.4 times per year in 1990/91. To counter further decline, the California Kiwifruit Commission conducted in-store promotions using Market Promotion Program funds to increase visibility in Taiwanese retail outlets. This promotional support led to an increase in purchase frequency to 18.7 times per year for the 1991/92 season. Moreover, shipments of California kiwifruit increased 200 percent over the same period a year ago.

The Western U.S. Agricultural Trade Association, a Targeted Export Assistance/Market Promotion Program participant, sponsored a retail promotion of both fresh and processed foods in Taiwanese supermarkets. During the promotion, sales of fresh fruits and vegetables increased 54 percent and grocery items, excluding U.S. beef, increased 185 percent. Sales of fresh fruits and vegetables and grocery items also registered increases in the month immediately following the promotion at 125 percent and 44 percent, respectively.

To increase consumer awareness of premium quality U.S. Concord Grape products, the National Grape Co-operative Association conducted a sampling program in Taiwan. This Market Promotion Program-supported activity helped boost 1991 sales of grape juice to the Taiwanese distributors by 42 percent compared to 1990.

Korea, consistently among the top five export markets for U.S. agricultural products, is also rapidly becoming an important market for high-value products. Although certain barriers still exist, rapid income growth, an improving distribution infrastructure, and a large young population are expected to contribute to a larger Korean market for U.S. agricultural products.

Examples of success in Korea include:

To increase wheat consumption in the Korean market, the U.S. Wheat Associates, in conjunction with a leading Korean confectionery company, developed a new food item made from wheat. Sales of this new puffed whole wheat product increased 31 percent over 1990 and are expected to soar to 50 percent in 1992, amounting to 7,500 metric tons of U.S. wheat.

The lifting of Korean trade restrictions on dry pea imports prompted the USA Dry Pea and Lentil Council—USADPLC—to begin active promotion in this market. To raise the visibility of U.S. dry peas and lentils, the USADPLC attended the American Food Fair in Seoul where they displayed samples and distributed literature to the Korean trade. This activity contributed to an eight-fold increase in U.S. dry pea exports to Korea between September 1991 and May 1992.

With help of Market Promotion Program/Export Incentive Program funds, S&W Fine Foods has increased brand awareness of its canned sweet corn in Korea. Through product demonstrations and an extensive mail campaign which emphasize

quality and a premium product, S&W has tripled its sales of corn from 500 cases to more than 1,500 cases per month .

Mr. WALSH. What is your department's role in monitoring and implementing the NAFTA agreement? Do you foresee any minor modifications to the NAFTA's agriculture provisions being made in any of the side agreements to the NAFTA accord that the Clinton administration will be negotiating? (i.e., food safety, pesticides) What agricultural geographic regions will benefit or be negatively impacted by this accord? What about the Northeast region? New York?

RESPONSE. The Foreign Agricultural Service (FAS) and the Office of the Under Secretary for International Affairs and Commodity Programs, along with our counterparts from the U.S. Trade Representative's Office, were responsible for negotiating the agricultural provisions of the NAFTA. Once implemented, we expect to be heavily involved in monitoring Mexico's compliance with the NAFTA provisions to ensure a smooth implementation of the NAFTA, especially in areas concerning the special agricultural safeguard, the elimination of Section 22 quotas on Mexican products, and the special provisions on sugar. We expect that FAS will participate in the Committee on Agricultural Trade, which is responsible for monitoring and implementing the NAFTA agricultural provisions, as well as the Committee on Sanitary and Phytosanitary Measures.

President Clinton has stated he wants to negotiate supplemental side agreements to the NAFTA on labor, the environment, and import surges. He has also stated that he does not want to re-open the NAFTA text; that is, these side agreements will supplement but not alter the NAFTA, as currently negotiated. Therefore, we do not anticipate modifications to the NAFTA accord.

We expect broad economic benefits from the NAFTA for all regions of the country. Border areas are likely to see the greatest benefits from expanded trade and economic activity, but may also feel more competition in certain commodities from increased Mexican exports. The Northeast region, being further away from the border, is likely to be less affected by the NAFTA than border regions. But we anticipate gains in exports that are important to the Northeast region—for example, dairy products and fruit. New York, the third largest U.S. dairy and apple producer, can expect to see growing market opportunities for these products in a liberalized Mexican market.

## CONCLUDING REMARKS

Mr. DURBIN. I want to thank the panel for joining us here. And obviously, we stepped into a controversial discussion. What I would like to ask you to consider doing is getting back to us with perhaps an update, for the first five months of this fiscal year, on the Market Promotion Program in terms of what your activity has been.

I would like to see that before we go into mark-up to see what kind of changes have been made in this program consistent with your suggestions last year. So if you could give us some information on how things are going and how the money is being spent, and maybe some background on your strategies for different investments for different areas, that would be very helpful.

Thank you very much for joining us.

[The prepared statement follows:]

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Statement of
Richard B. Schroeter
Acting Administrator
Foreign Agricultural Service
U.S. Department of Agriculture
Before the House Appropriations Subcommittee on
Agriculture, Rural Development,
Food and Drug Administration,
and Related Agencies

Mr. Chairman, members of the Subcommittee, I appreciate this opportunity to meet with you today to discuss the work of the Foreign Agricultural Service (FAS).

Our basic mission, to put it very simply, is EXPANDING EXPORTS. We serve to advance and reinforce the efforts of the private sector to sell U.S. food and agricultural products overseas. In so serving, we directly support the mission of Secretary Espy for the U.S. Department of Agriculture: To enhance the income of U.S. farmers at minimum cost to taxpayers, which is to promote the economic health of rural America.

Exports generate one dollar in every five earned by U.S. farmers from the marketplace. And each dollar in export earnings generates another $1.40 in business off the farm. From an employment perspective, an estimated 860,000 full-time jobs -- including nearly 545,000 jobs off the farm -- hinge on the health of U.S. agricultural exports each year. In other words, a vibrant export sector is crucial not only to the health of U.S. agriculture, but to the health of the entire U.S. economy.

U.S. agriculture also continues to consistently to show a trade surplus. Net agricultural exports of $18 billion in 1992 helped to partially offset a $94 billion deficit in nonfarm trade.

Having described the FAS mission, and the importance of that mission to the U.S. farmer and the U.S. economy, I'd like to emphasize that the accomplishment of that mission has only been possible through the tremendous contributions of FAS' committed workforce.

The combined strength of the Foreign Agricultural Service and the Office of the General Sales Manager is 898 employees -- roughly three-fourths of whom work in Washington and one-fourth of whom are located at 75 field offices abroad. Nearly half of these employees are women and more than a fourth are minorities. Many, if not most, of these employees chose to work for FAS because they are deeply committed to the agency's mission. They have made invaluable contributions to the total quality of the working environment and have actively contributed ideas and suggestions. Many of them also have donated hundreds of hours of their own personal time to ensure that the agency was able to meet the increasing demands laid upon it.

Recently, because of the need to limit spending, the agency has had to freeze employment and seek to reduce the total numbers of employees through attrition. These events, as should be expected, are having a impact upon agency morale. We are working hard to address these employee concerns through the agency's Equal Employment Opportunity Advisory Committee and other activities designed to keep the channels of communications open.

In my testimony today, I will devote some time to discussing FAS program accomplishments. However, I want to focus most of my attention on the changing priorities for the agency and particularly on the challenges we face in the future.

The Acting General Sales Manager, who is also here today, will discuss the specifics of the export programs he administers, which include the foreign food aid, export credit guarantee, and export enhancement programs.

**MARKET DEVELOPMENT**

FAS' market development programs include the Market Promotion Program (MPP), the Cooperator Market Development Program, the Export Enhancement Program (EEP), Sunflower Oil Assistance Program (SOAP), Cottonseed Oil Assistance Program (COAP), Dairy Export Incentive Program (DEIP), Public Law 480 Title I Concessional Credit Program, and the CCC Credit Guarantee Programs.

These programs affect the livelihood of virtually every U.S. farmer, since part of practically every crop grown in the United States is exported. FAS uses all of its export programs aggressively to ensure U.S. farmers and exporters are able not only to maintain a high level of sales in established markets, but also to capitalize on emerging market opportunities.

Some of these programs -- such as the MPP, EEP, DEIP, SOAP, and COAP -- are relatively new. They were implemented in the mid-1980's in response to changing trade conditions and a mandate from the Congress. Other efforts, such as the Cooperator and P.L. 480 programs, have evolved over the past 40 years.

Taking on these new, multi-million dollar programs has dramatically changed the nature of the agency in recent years. In essence, we have shifted far more in the direction of a program implementation agency, and this shift has not been without its problems.

For example, the combined export program portfolio of FAS and the Office of the General Sales Manager exceeded $9 billion in fiscal year 1992,

almost twice the program size prior to implementation of the Food Security Act of 1985. The consequences of trying to do too much, too quickly, with too few resources to maintain effective program controls were a number of problems which have been addressed in various GAO and OIG audits and reviews.

I will not attempt to minimize those problems. No one in the agency is impressed that in the past four years USDA's Office of the Inspector General made 92 recommendations to the agency on ways to strengthen program management. The agency has since successfully implemented 90 of those recommendations, and we have also implemented a number of other management improvements recommended by the General Accounting Office.

However, we are working to ensure there will be a need for far fewer GAO and OIG audits and investigations in the future because of increased confidence in our management controls and anticipatory actions. For example, the next time we appear before you I hope we can report that the agency ran its operations in such a way that, after review, these audit groups could make no recommendations for improvements. I can, with certainty, assure you that FAS will continue to make sound, effective management of USDA's export programs our highest priority.

I would like now to shift to some discussion of the programs themselves, and how they help to fulfill the FAS export mission. I will limit my remarks to the Cooperator Program and MPP program. The other programs will be discussed in detail in the General Sales Manager's statement.

**MARKET PROMOTION PROGRAM**

The MPP was mandated by the FACT Act of 1990 to replace the Targeted Export Assistance (TEA) program. The TEA program, and now the MPP, work to

expand outreach of our market development activities, especially for high-value products.

The MPP encourages the development, maintenance, and expansion of commercial export markets for agricultural commodities. Under MPP, we use funds from the Commodity Credit Corporation to partially reimburse program participants for market development projects that meet specific program criteria.

For fiscal 1993, USDA has allocated over $147 million under the MPP to private sector organizations to conduct promotions for a wide variety of products in more than 100 countries. We have also allocated $1 million for program evaluation -- to make sure that we are getting "the most bang for our bucks."

We do know that the program has helped to more than double U.S. exports of consumer-ready products from $5.2 billion in 1985, the year before the program started, to $13.5 billion in fiscal 1992.

The program has been used, for example, to promote sales of pistachios and beef to Japan; salmon, cranberries and peanuts to the United Kingdom; grape juice to Taiwan; canned corn to Korea; peaches to Singapore; wood products to Mexico; rice to the former Soviet Union; and the list goes on and on.

Overall, the MPP and the TEA program before it have been extremely useful tools in fulfilling our mandate to help boost U.S. agricultural exports.

**COOPERATOR PROGRAM**

The MPP has built on the success of our long-standing market development activities with the private sector. The Cooperator Market Development Program has been the backbone of FAS' efforts in this area almost since the

agency came into existence in 1953. Its successes are the result of a unique partnership between U.S. agricultural organizations and USDA. We have combined forces and pooled our technical and financial resources to carry out a wide variety of foreign market development projects.

In new markets, activities include market research, product demonstrations, buyer educational activities, working with government and trade officials to solicit business, and pressing on market access issues. In more developed markets, activities include technical trade servicing to help buyers choose the right U.S. product and use it efficiently, joint promotions with foreign customers, media contacts, public relations, and educational activities.

For example, in 1992, cooperators held seminars in Mexico on the quality and wholesomeness of U.S. poultry and on U.S. peanut quality-control issues. Both activities led to significant increases in exports for U.S. producers in the Mexican market.

In the United Kingdom, three years of trade servicing by another cooperator group culminated in the opening of the U.K. market to imports of standard American lumber sizes for use in roofing systems.

Still another cooperator organization creatively used in-store promotions to help double exports of U.S. grapefruit to Germany in 1992.

**MARKET INFORMATION**

Let me turn to another vital aspect of the FAS mission: our job of collecting, analyzing, and disseminating information that will alert U.S. farmers to the needs of consumers overseas, will point U.S. exporters towards emerging market opportunities, and will enable FAS and other USDA analysts to assess and project trade flows and economic trends.

In 1992, our overseas staff submitted nearly 5,000 reports to help USDA keep the U.S. agricultural sector posted on global supply, demand, and product movement. FAS also published over 200 reports during the year to help provide U.S. farmers, processors, and exporters with the kinds of information they need to be competitive in the world market.

Beyond reporting on individual countries, FAS uses state-of-the-art remote sensing technology to assess global crop conditions. The timely analytical support provided by the remote sensing unit is the only operational program of its type in the world. That system proved a critical early warning about the effects of the 1992 drought on wheat production in the New South Wales and Queensland areas of Australia.

As a result, U.S. farmers had the benefit of timely information about Australia's crop prospects at a crucial period during the marketing of the U.S. wheat crop.

We are continually working to improve our data processing, data gathering, transmission, and dissemination capabilities to provide better and more timely information to U.S. farmers and exporters.

## MARKET ACCESS

Another crucial activity in the accomplishment of FAS' mission is to seek improved market access for U.S. farm products in markets worldwide. Without access, our most innovative market development strategies would be futile. That is why FAS personnel, in concert with the Office of the U.S. Trade Representative (USTR), work to foster multilateral and bilateral agreements on trade issues.

A major effort for us during the past year was the negotiation of the proposed North American Free Trade Agreement (NAFTA). Agency personnel played prominent roles in the agriculture negotiations and participated in

a number of negotiating areas related to agriculture. FAS has also continued to play a similar role in the Uruguay Round of multilateral trade negotiations under the GATT for global reform of agricultural trade and we remain committed to achieving a good agreement for U.S. agriculture.

FAS staff also work aggressively and continuously in a number of bilateral negotiations. I will note just two of many achievements for agriculture in the past year.

-- The United States and Japan agreed on a new accord to further widen access to the Japanese dairy and industrial-use corn markets. The new accord should increase U.S. exports by $75-95 million over three years.

-- The EC gave final approval to a permanent reduction in the tariff on inedible tallow from 12 percent to 2 percent. This should help restore a $50 million a year market for U.S. inedible tallow exporters.

## FAS' OPERATIONS OVERSEAS

No place is FAS' responsibility to represent the interests of U.S. farmers more integrated and focused than in its offices overseas. Our staff overseas work to fight unfair trade practices, to improve market access for U.S. agricultural exports, to provide market information and analysis, and to carry out market development activities covering more than 130 countries.

To give you just one example on the market development side, our Agricultural Trade Office (ATO) in Tokyo, Japan, has sponsored USA Food Pavilions at FOODEX, Japan's leading international food show, every year during 1982-91. In addition, in 1987 and 1992, we sponsored our own USA food shows. The 1992 Great American Food Show was the largest food show ever conducted by FAS, attended by more than 12,000 Japanese trade visitors. It generated nearly $2 million in on-site sales and exhibitors

expected their annual sales as a result of the show to total $21 million. The Tokyo trade office also has sponsored numerous shows in other Japanese cities to promote U.S. products to local wholesalers and retailers and provides facilities for U.S. exporters and services such as market research, product demonstrations, a newsletter, and public relations events throughout the year.

The story is much the same in all our ATO's. FAS has taken steps in the last year to strengthen its ATO operations and as we look to meeting future export needs, we are updating the criteria for evaluating both current and proposed Agricultural Trade Offices.

There is a constant need to re-evaluate our overseas representation to make sure we are in the best position to help U.S. farmers take advantage of emerging market opportunities. In all, one-third of the FAS budget covers the costs required in representing U.S. farmers' interests abroad. As we have increased representation for U.S. farmers in such key areas as Eastern Europe, western Japan, and Mexico, budget constraints have required us to eliminate overseas positions elsewhere. We will continue to carry out our overseas staffing evaluation process in a systematic way, with the basic criteria being the continued enhancement of U.S. exports.

## THE CHALLENGE OF THE FUTURE

Mr. Chairman, I'd like to end with some remarks about the challenges FAS is facing. The world is in the midst of a vast geopolitical and economic upheaval. It is a time when we can build on the past, but we cannot cling to it. We welcome the challenge.

Traditionally, the United States has been a bulk commodity exporter; however, this is changing. High-value exports -- such as meats,

vegetables, and processed products -- now represent 55 percent of U.S. agricultural trade and these exports are expected to increase for the eighth consecutive year in fiscal 1993. In fact, overall, consumer-oriented, high-value exports are the fastest growing sector of the global market -- and we are increasing our world market share in this sector. But to assure further growth we need to be creative and flexible in our use of programs, adding new ones, modifying old, to make sure that we are positioned to help U.S. farmers move into new markets.

Despite our successes in the trade policy area, tremendous challenges still lie before us. Our work in the Uruguay Round continues; the EC still maintains many restrictions that impede imports of a wide variety of U.S. products; Korea and Japan have not opened their markets to the extent that they should; and new problems continually crop up regarding unfair phytosanitary requirements, illogical tariffs, outright import bans, and a variety of other roadblocks to the free flow of agricultural trade.

We recognize that there is a limit to the resources that can be committed to our agency and our export mission, crucial though it is. This means that FAS must work "leaner and meaner." We must improve our services and outreach to U.S. farmers and exporters and we must assure U.S. taxpayers that they are getting all the 'bang' possible for their bucks. I personally want to see this agency has the complete confidence of Congress and the public that we are wise and prudent managers of the programs we administer.

Developing new export markets is not something that is accomplished in a single year. We must have faith and patience with programs that may not pay off for a number of years down the road.

That's not going to be easy in a time when there are going to be lots of

other interests vying for support and where the payoff might be much more immediate. But it is vital that we make a long-term commitment to export expansion.

At stake is nothing less than the United States' position in the 21st century as the world's No. 1 exporter of agricultural products -- and by extension, the U.S. farmer's ability to earn his livelihood via the marketplace rather than through government programs.

**FAS BUDGET SITUATION**

In testifying today I want to emphasize at the outset that the Administration is currently formulating the President's FY 1994 Budget. Accordingly, I am not in a position to provide you with the Administration's position on funding for specific programs or activities. As soon as the President's FY 1994 Budget is released I would be pleased to provide you with the Department's views. However, I would like to comment briefly on our current situation.

Because the FY 1993 FAS appropriation was continued at the FY 1992 level, the agency has had to absorb a total of $5 million in non-discretionary cost growth resulting from overseas wage and price increases and costs associated with the FY 1993 pay increase.

Absorbing these increases has not been easy, but has been accomplished through the following actions:

-- implementing a hiring freeze to eliminate 25 U.S. positions;

-- closing 5 overseas offices and downsizing 6 others; and

-- reducing Washington administrative support costs by 20 percent.

Mr. Chairman, that concludes my statement. I would be glad to respond to your questions and to those of the other Subcommittee members.

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Office of the General Sales Manager
Statement by Philip L. Mackie
Acting General Sales Manager
U.S. Department of Agriculture
Before the House Appropriations
Subcommittee on Agriculture,
Rural Development, Food
and Drug Administration,
and Related Agencies

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to discuss the programs of the General Sales Manager.

The Office of the General Sales Manager oversees the U.S. Department of Agriculture's export, food aid and foreign direct technical assistance programs. These programs touch virtually every corner of the globe to serve both the immediate and longer term interests of U.S. agriculture. We look forward to using these programs in an innovative, coordinated way in fiscal year 1994 to meet the rapidly changing export situation. Some of these tools have been available to us for more than four decades; others have been developed more recently, in response to specific needs to facilitate exports, promote market development, or counter the trade practices of some competitors.

The 1990 Farm Bill provides a wide range of export promotion programs to accommodate any stage of a customer country's development -- food aid and other concessional programs for developing countries, export credit guarantee programs for markets that depend on credit, and programs to promote commercial sales to regain, maintain, or increase the U.S. market share. To keep pace with a dynamic world marketplace, we will shift among programs, using them singly or in combination as necessary to maximize sales opportunities for U.S. agricultural producers.

**FORMER SOVIET UNION**

Before I report on the status of our various export programs, let me begin by addressing a subject which has been much reported in the news -- the former Soviet Union and our efforts there. We have used a variety of programs to assist the former Soviet Union -- export credit guarantees, humanitarian food aid, and technical assistance.

Since January 1991, USDA has made available over $5 billion in export credit guarantees to the former Soviet Union, Russia and Ukraine. These guarantees were used to facilitate the purchase by these countries of different U.S. agricultural commodities, including several processed products and over 30 million tons of U.S. grains.

Repayments on guaranteed export credit have reached nearly $900 million, and another $4.2 billion in credit is outstanding. Since December 1, 1992, Russia has defaulted on all its repayments for guaranteed export credit, and program sales to Russia have been suspended. The program must remain suspended until arrears are paid, the debt is rescheduled, or some combination of the two. As of February 16, repayments in default totaled $316.5 million. Two banks have filed claims for repayment; USDA has paid $187,876 in claims as of February 16. Generally our policy is that after we review the claim for accuracy, CCC pays the claim within 24 hours.

Secretary of Agriculture Espy has stressed that this Administration places top priority on resolving the purchasing problems of Russia and Ukraine, so that we can resume shipments to these important customers. As he has indicated, the Department is reviewing several options, and we will arrive at a decision in the shortest possible time. Over the past 5 years, the former Soviet Union has accounted for about 20 percent of

U.S. grain exports as well as smaller percentages of other commodities; it is not a market we want to lose.

As it became clear that the export credit guarantee program was not appropriate for many countries of the former Soviet Union, or capable of meeting the full demand of Russia and Ukraine, we began to look for other ways to maintain exports outside the GSM-102 program. Let me first discuss how we adapted our export subsidy programs to accommodate compensatory forms of trade -- barter, countertrade, offset arrangements, and escrow accounts. Under these arrangements, a party in a third country often gets involved in the transaction by buying goods that the former Soviet Union wants to import and purchasing the goods exported from the former Soviet Union. The resources to finance the trade are in the third countries, not in the countries of the former Soviet Union that are the ultimate destinations.

To facilitate U.S. agricultural exports through these non-traditional trading channels, we have modified our Export Enhancement, Dairy Export Incentive, and the Sunflowerseed Oil Assistance Programs to allow sales to third-country buyers for commodities destined for the former Soviet Union. This change allows additional marketing opportunities for U.S. exporters on cash terms. U.S. exporters of wheat, wheat flour, barley, barley malt, rice, vegetable oil, frozen pork, milk powder and butterfat may take part in these transactions.

Since September, U.S. exporters have sold nearly 1.5 million metric tons of wheat to the former Soviet Union through third country buyers. This is equal to nearly 20 percent of all U.S. wheat exports to the former Soviet Union in fiscal 1992. Exporters have also sold 37 metric

tons of milk powder. I would stress that this business is ongoing, albeit on a smaller scale, even while our export credit guarantee program remains suspended.

Secondly, we have made special efforts to move U.S. agricultural commodities through our food aid efforts in the former Soviet Union. The Freedom Support Act of 1992 gives us added flexibility in this area. The Act eliminated the tonnage ceiling of 500,000 metric tons under the Food for Progress Program for fiscal year 1993 for commodities furnished from government stocks to the former Soviet Union. This provision allows us to meet humanitarian food needs in the former Soviet Union during this critical period of transition without limiting the size of Food for Progress programs carried out elsewhere. And it maintains exports of U.S. agricultural commodities.

Thus far in fiscal 1993, the United States has committed over 2.3 million tons of assistance to the republics of the former Soviet Union. This aid, valued at nearly $575 million, will be handled through government-to-government agreements and agreements with U.S. private voluntary organizations.

The assistance includes food aid for human consumption and much needed feeds for livestock. The aid is being provided through three major efforts. First, we expect to commit over 1.8 million metric tons of feed grains -- 1 million tons of corn and 850,000 tons of feed wheat -- valued at $261 million, mostly through government-to-government programs. Those countries receiving corn are paying all transportation costs, and 75 percent of all the commodities will be shipped on U.S. flag vessels in accordance with cargo preference requirements.

This initiative is a new, innovative use of our existing legislative

authorities, and allows us to respond quickly to unusual situations. It is this kind of innovation that we will pursue vigorously in the future.

Our second major aid effort is a $250 million program for the Russian Federation to meet humanitarian needs. Russia's Humanitarian Commission is coordinating the effort with the help of several U.S. private voluntary organizations.

Finally, we are providing about 100,000 tons of food valued at about $58 million through nearly 20 U.S. private voluntary organizations to meet critical human needs throughout the republics.

Another way we are providing aid to the former Soviet Union is through technical assistance programs. USDA and the U.S. Agency for International Development AID have several programs underway to help develop the agricultural and agribusiness sectors of the former Soviet Union. Projects include the development of a model farm to demonstrate various aspects of U.S. farm management and marketing practices; development and expansion of wholesale markets in the former Soviet Union; and creation of an extension service. These are just three of our nine technical assistance activities which are underway.

All of these programs give us the tools to provide needed humanitarian and technical assistance, and at the same time help maintain U.S. agriculture's presence in this important market.

I'd now like to provide a broader overview of the programs that are the responsibility of the General Sales Manager.

## PUBLIC LAW 480

Market development in many countries, especially the low-income developing countries, begins with food aid. The Public Law 480 program

focuses on the needs of developing countries and emerging market economies. Its goals are to help meet humanitarian needs, provide calories and nutrients that can increase human productivity, and establish a U.S. presence in the market, particularly for those commodities that a country will need to import on a long-term basis. As countries develop, our expectation -- based on many years of experience -- is that they will eventually become commercial customers.

Provisions of the 1990 FACT Act made major changes in the program authorities and management responsibilities for P.L. 480. The 1990 Act assigns specific responsibilities for the various titles directly to either the Secretary of Agriculture or the Administrator of AID.

The General Sales Manager in USDA is responsible for policy formulation and program administration in carrying out P.L. 480, Title I, sales activities. AID has similar responsibilities for the Title II donation and Title III government-to-government grant programs. USDA provides operational support to AID for commodity purchases under Titles II and III.

Title I, which is our primary responsibility, provides concessional, long-term credit financing for the sale of U.S. agricultural commodities to developing countries.

During fiscal year 1992, USDA signed Title I concessional credit agreements with 30 countries; 16 of these, or over half, were first-time participants in the program. Agreements with the countries covered nearly $500 million in sales of U.S. wheat, wheat flour, feed grains, rice, vegetable oil and meal, cotton, and tallow. So far in fiscal year 1993, we have signed new Title I agreements with six countries -- Costa Rica, Egypt, Jamaica, Lithuania, Morocco and Zimbabwe -- and we expect to conclude several more agreements in the near future.

Looking ahead to 1994, we expect to continue to provide Title I credit to countries that are important markets for U.S. farmers, such as Egypt, the Philippines and Morocco. We also plan to continue our emphasis on using concessional sales programs to establish marketing relationships in Eastern Europe and with individual republics of the former Soviet Union, where commodity needs exist and financial conditions may justify concessional financing.

OTHER FOOD AID AUTHORITIES

Section 416(b) of the Agricultural Act of 1949 authorizes donations of uncommitted Commodity Credit Corporation (CCC) stocks to assist needy people overseas. So far in fiscal year 1993, we have signed agreements to donate more than 350,000 tons of grain and butter and butteroil to various countries, including six republics of the former USSR, Tunisia, and, for the first time, Mongolia.

Food for Progress is another well-established food aid program extended by the FACT Act. The program provides commodities to developing countries and emerging democracies to encourage democracy and private enterprise, including agricultural reform. The program is carried out using funds or commodities made available through P.L. 480 Title I or Section 416(b). In the current year, we have signed agreements with Albania and Armenia and are developing programs with Georgia and Kyrgyzstan using funding from P.L. 480, Title I. Food for Progress agreements using Section 416(b) authority have been signed with Belarus, Kazakhstan, Latvia, Poland, Russia and Ukraine.

**EXPORT CREDIT GUARANTEE PROGRAMS**

Financing is an essential part of every export transaction. The export credit guarantee programs administered by the General Sales Manager help assure the availability of credit to finance commercial U.S. agricultural exports. Under both GSM-102 and GSM-103, the U.S. government guarantees payment to U.S. exporters and their financial institutions if the foreign banks fail to pay. The guarantees encourage U.S. lenders to extend credit which is used by overseas customers to pay U.S. exporters.

The credit guarantee programs operate within a relatively narrow range of credit risk. The purpose is to underwrite export credit that would not otherwise be made by the commercial sector, but to avoid assuming so much risk as to compromise our reasonable expectation of repayment. Since these programs have been in existence, USDA has had to make payment on about 10 percent of the over $40 billion in short-term export credit that we have guaranteed. However, a good portion of these costs will eventually be recovered as CCC receives payments on export credit debt which has been rescheduled under the auspices of the Paris Club.

The GSM-102 program covers export credit with repayment terms up to 3 years and is our largest single export promotion program. The Agricultural Trade Act of 1978, as amended, requires that not less than $5.0 billion in GSM-102 guarantees be made available annually. The GSM-103 Intermediate Credit Guarantee Program facilitates sales that require a longer payback period, typically covering export credit of 3 to 7 years. This program, authorized at not less than $500 million in guarantees per year through 1995, is designed to help developing nations make the transition from concessional credit to cash sales.

In fiscal year 1992, $6.1 billion in GSM-102 export credit guarantees were announced for use in 35 countries, and U.S. exporters registered a record $5.6 billion in actual sales. This represents the largest amount of sales ever registered under the program. Under GSM-103, $229 million in guarantees were announced for use in 10 countries, and U.S. exporters registered $88 million in actual sales. GSM-102 and 103 helped U.S. exporters maintain or increase their market share in a number of countries around the world, despite strong competition.

Although we are not yet halfway through the current fiscal year, we have already announced allocations of about $4 billion of GSM-102 guarantees to 31 countries. For GSM-103, credit guarantee announcements to date total $258 million to eight countries.

The 1990 FACT Act provides additional statutory authorities to promote the export of U.S. agricultural products to emerging democracies through export credit guarantees and the sharing of U.S. agricultural expertise. We are working on emerging democracies programs with the republics of the former Soviet Union, the Baltic States, countries in Eastern Europe, and two countries in Latin America. We continue to follow events in these areas closely and to analyze their impact on country creditworthiness. We expect these authorities to help us establish long-term markets for U.S. agricultural products in these regions.

As part of the emerging democracies program, the 1990 FACT Act also authorizes, for the first time, the use of credit guarantees for financing the establishment or improvement of facilities to improve the handling, processing, storage, or distribution of agricultural products.

We have discussed similar programs with the Export-Import Bank, the Overseas Private Investment Corporation, and other agencies, and we are now working on operational details for implementation of this program. We hope to be able to use the program in the former Soviet Union to improve food processing and distribution facilities, and at the same time to increase U.S. export opportunities.

## EXPORT ENHANCEMENT PROGRAM

The Export Enhancement Program helps the United States meet subsidized competition in targeted markets -- particularly competition from the European Community. It operates under a bid-bonus system, in which U.S. exporters submit bids for bonus levels that would allow them to sell eligible commodities at competitive prices. In a world market distorted by export subsidies, the EEP is an essential tool for regaining and maintaining the U.S. market share and for pursuing trade policy objectives.

This program has in many cases, increased or prevented further declines in U.S. exports; it has challenged unfair trade practices by others; and it has pressured our trading partners to engage in serious negotiations on bilateral and multilateral agricultural trade issues.

Since the EEP began in 1985, $5.3 billion in bonuses have been awarded, supporting over $17 billion in U.S. agricultural exports to 97 countries.

In fiscal year 1992, $968.2 million in EEP bonuses were awarded to U.S. exporters. The $3.0 billion in sales made under the program that year accounted for 98 percent of total U.S. barley exports, almost 60 percent of U.S. wheat exports, and around one-third of U.S. exports of wheat flour, vegetable oil, and eggs.

As of February 11, fiscal year 1993 EEP bonuses of more than $513 million had been awarded to exporters to assist in sales of over $1.7 billion in U.S. agricultural commodities.

In fiscal 1992, we made a major change in the operation of the program by announcing all EEP initiatives for a specific commodity in a package. Prior to that, we announced each new initiative or allocation on a country-by-country basis. This package approach offers several advantages:

It gives farmers, exporters and foreign buyers greater certainty about market opportunities, making the United States a more reliable supplier;

It helps avoid sales disruptions that sometimes occur when initiatives expire; and

While negotiations under the Uruguay Round of trade negotiations continue, our announcements signaled to the European Community the scope of the United States' resolve to reform international agricultural trade.

Future use of the EEP depends, in large part, on progress in the current Uruguay Round trade negotiations. Until we have effective GATT disciplines governing international agricultural trade, we plan to continue to use the EEP in a responsible but forceful way to defend U.S. agricultural trade interests in world markets.

## DIRECT SALES, DEIP, SOAP, AND COAP

The General Sales Manager continues to use the authority contained in the CCC Charter Act and Section 407 of the Agricultural Act of 1949 to sell CCC-owned commodities for export. Our efforts in this area have

concentrated on CCC stocks of dairy products because of minimum annual sales levels required by statute and the large supplies of uncommitted CCC inventory.

Fiscal year 1992 direct export sales of CCC-owned dairy products totaled 82,575 metric tons, up from 31,000 metric tons in 1991. Major customers included Mexico and Russia. In the current fiscal year, direct export sales of CCC dairy products to date are around 3,266 metric tons of dairy products valued at $5.1 million.

The Dairy Export Incentive Program (DEIP), Sunflowerseed Oil Assistance Program (SOAP), and Cottonseed Oil Assistance Program (COAP) were all reauthorized by the 1990 FACT Act. They operate much like the EEP, with bonuses to U.S. exporters to support sales of dairy products, sunflowerseed oil, and cottonseed oil. These programs help U.S. farmers gain access to markets that would otherwise be closed to them because of subsidized prices offered by other suppliers.

In fiscal year 1992, DEIP bonuses to U.S. exporters supported commercial sales of more than 77,000 metric tons of dairy products. The SOAP and COAP programs supported the sale of 281,000 tons of sunflowerseed and cottonseed oils.

As of February 11, the fiscal year 1993 SOAP and COAP programs have supported the sale of nearly 140,000 tons of sunflowerseed and cottonseed oils. In addition, we have announced the DEIP for 97 countries covering 204,020 tons of milk powder, 76 countries for 48,415 tons of butterfat, and 13 countries for 5,800 tons of Cheddar, mozzarella, cream, Gouda, feta and processed American cheese. As of February 11, sales under the fiscal year 1993 DEIP program total 94,222 metric tons.

We plan to continue to use these programs in fiscal year 1994 to help U.S. exporters of these products maintain their position in markets that are targeted by our subsidizing competitors.

## LONG-TERM TRADE STRATEGY

We recently completed a long-term agricultural trade strategy that outlines our goals for the last decade of the 20th century. The strategy that we have developed directly from the 1985 and 1990 Farm Bills involves three basic tenets that have guided us for several years and will continue to do so: (1) maximize the benefits of a market-oriented domestic farm policy; (2) pursue the goals Mr. Schroeter has described through an aggressive international negotiating posture, and (3) continue to use all our export tools responsibly and aggressively, to create an environment where the natural comparative advantage of U.S. agriculture can prevail. While our goal is unchanged, the programs we use have been revised and refined to meet the array of challenges facing U.S. agricultural products.

They give us the tools to:

--defend our overseas markets against unfair trade practices;

--establish new trading relationships in emerging markets;

--create an appetite for U.S. products in the restricted markets of developed countries; and

--provide near-term food assistance and work toward long-term development of commercial markets in countries that now depend on concessional programs.

More than ever, we need to keep our export programs flexible enough to deal with the ever-changing dynamics of the world marketplace.

Today, we are using the programs to respond to the dramatic changes in Eastern Europe and the former Soviet Union. We are targeting newly emerging markets in Africa, Latin America and elsewhere. We are establishing links with developing private sectors as countries in many regions recognize the benefits of market economies. And we are prepared to adjust to changes, positive or negative, in bilateral trade relationships and in the multilateral trading system.

We have made many improvements in management and accountability, and I can assure you that these are responsibilities we will continue to take most seriously. We have worked to ensure that our programs are carefully planned, efficiently managed, and aggressively used to achieve our goals.

Mr. Chairman, while many other U.S. export sectors have faltered, agriculture remains this country's leading export earner. The export programs continue to play an important role in helping U.S. agriculture succeed in a complex and competitive trade environment.

That concludes my formal statement. I will be glad to respond to any questions or concerns of this Subcommittee.

#

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | EXPENDITURES | EXPENDITURES | EXPENDITURES | BUDGETED | BUDGETED | BUDGETED* | BUDGETED* | BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Expenditures/Budget for | U.S. Companies | 818 | | $17,256,195 | $29,143,578 | $28,764,285 | $59,402,066 | $57,533,422 | $14,788,708 | $80,078,299 | $74,867,007 |
| Market Promotion Program \ | U.S. Subsidiaries | 9 | | $0 | $1,267,440 | $942,151 | $1,403,019 | $2,080,800 | $1,055,000 | $903,000 | $1,656,000 |
| Targeted Export Assistance | Foreign Branded | 354 | | $0 | $1,267,440 | $942,151 | $1,403,019 | $2,080,800 | $1,055,000 | $903,000 | $1,656,000 |
| Branded Programs | GRAND TOTAL | 1181 | | $17,256,195 | $31,678,458 | $30,648,587 | $62,208,104 | $61,695,022 | $16,898,708 | $81,284,299 | $78,183,007 |

Worksheet data last Modified on January 13, 1993.

Format prepared by Dale Cougot, Planning and Evaluation Staff.
Data entered by Colette Ross, Marketing Operations Staff
NOTE: Use extreme caution when deleting/inserting rows or columns since this worksheet is in Global Group Format.

| Date | Revised By: | Revisions |
|---|---|---|
| 1) January 13, 1993 | Dale Cougot | Created Spreadsheet and presented it to MOS. |
| 2) January 14, 1993 | Dale Cougot | Inserted a Row into the spreadsheet to count the number of Branded Companies. |
| 3) | | |

Future Additions:
Establish a Macro to Print the current spreadsheet laser and safe paper.

* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720–5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

CHOCOLATE MANUFACTURERS ASSN
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 19 | | $363,604 | $0 | $1,158,949 | $1,644,000 | $2,236,525 | $1,683,995 | $1,274,505 | $2,958,500 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 19 | | $363,604 | $0 | $1,158,949 | $1,644,000 | $2,236,525 | $1,683,995 | $1,274,505 | $2,958,500 |

| CHOCOLATE MANUFACTURERS ASSN | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | BROWN & HALEY | $15,548 | $0 | $7,197 | $112,000 | $216,500 | $108,000 | $118,000 | $225,000 |
| U.S. Company | GODIVA CHOCOLATIER | $0 | $0 | $0 | $0 | $150,000 | $0 | $0 | $0 |
| U.S. Company | GOELITZ | $0 | $0 | $4,335 | -$32,750 | $48,250 | $23,520 | $32,480 | $56,000 |
| U.S. Company | GOLDENBERG | $0 | $0 | $873 | $10,000 | $36,000 | $0 | $0 | $0 |
| U.S. Company | GVGP | $0 | $0 | $0 | $0 | $9,000 | $36,000 | $0 | $36,000 |
| U.S. Company | HARBOR SWEETS | $0 | $0 | $0 | $6,000 | $9,000 | $0 | $0 | $0 |
| U.S. Company | HERSHEY | $120,935 | $0 | $32,141 | $289,294 | $400,000 | $388,600 | $224,000 | $612,600 |
| U.S. Company | LOU-RETTA'S | $0 | $0 | $0 | $10,000 | $10,000 | $4,900 | $5,100 | $10,000 |
| U.S. Company | MINKOWITZ | $0 | $0 | $0 | $14,000 | $60,400 | $39,000 | $61,000 | $100,000 |
| U.S. Company | MORLEY CANDY | $0 | $0 | $0 | $0 | $0 | $13,000 | $0 | $13,000 |
| U.S. Company | MYERSON | $40,045 | $0 | $20,895 | $48,208 | $56,000 | $21,210 | $29,290 | $50,500 |
| U.S. Company | M&M/MARS | $187,076 | $0 | $811,345 | $783,100 | $800,000 | $578,000 | $522,000 | $1,100,000 |
| U.S. Company | NESTLE | $0 | $0 | $279,482 | $287,148 | $300,000 | $300,000 | $174,000 | $474,000 |
| U.S. Company | PET INC. | $0 | $0 | $0 | $0 | $30,375 | $0 | $0 | $0 |
| U.S. Company | SUNMARK | $0 | $0 | $0 | $0 | $0 | $51,785 | $71,465 | $123,250 |
| U.S. Company | VAN MELLE | $0 | $0 | $0 | $0 | $0 | $10,745 | $0 | $10,745 |
| U.S. Company | WARNER LAMBERT | $0 | $0 | $0 | $0 | $0 | $108,350 | $39,150 | $147,500 |
| U.S. Company | WHITMANS | $0 | $0 | $801 | $62,500 | $0 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-6621.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| EASTERN US AGRI. & FOOD EXPORT Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 108 | | $750,000 | $650,000 | $890,000 | $1,118,000 | $1,001,941 | $1,897,583 | $0 | $1,897,583 |
| | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 108 | | $750,000 | $650,000 | $890,000 | $1,118,000 | $1,001,941 | $1,897,583 | $0 | $1,897,583 |

| EASTERN US AGRI. & FOOD EXPORT | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | ADIRONDACK MAPLE FARMS | Maple syrup | $0 | $0 | $0 | $0 | $0 | $8,000 | $0 | $8,000 |
| U.S. Company | ADVANTAGE FOOD MARKETING | Salad dressing, spaghetti sauce, pop( | $0 | $0 | $0 | $0 | $22,000 | $30,000 | $0 | $30,000 |
| U.S. Company | ALLIED GROCERS | Baby food, bakery prd., cereals, cann | $0 | $0 | $0 | $0 | $0 | $37,500 | $0 | $37,500 |
| U.S. Company | ALLIED OLD ENGLISH | | $5,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | AMTEC INTERNATIONAL | Seafood | $0 | $0 | $0 | $56,000 | $26,323 | $10,000 | $0 | $10,000 |
| U.S. Company | A.S. INTERNATIONAL | peas/beans | $10,000 | $10,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | BAGEL CRISPS, INC | Crackers | $0 | $0 | $0 | $0 | $30,000 | $0 | $0 | $0 |
| U.S. Company | BEN & JERRY'S | Ice cream | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | BERNADETTES | Cakes | $0 | $0 | $0 | $0 | $20,000 | $0 | $0 | $0 |
| U.S. Company | BIOSAN LABS | Health foods | $0 | $0 | $0 | $0 | $0 | $10,000 | $0 | $10,000 |
| U.S. Company | BOSTON BEER | Beer | $50,000 | $50,000 | $0 | $29,000 | $6,156 | $60,000 | $0 | $60,000 |
| U.S. Company | BOSTON & MAINE FISH | Lobster | $0 | $0 | $0 | $0 | $0 | $5,000 | $0 | $5,000 |
| U.S. Company | BROTHERHOOD WINE | wine | $5,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | BURNS & RICKER | Cracker products | $0 | $0 | $0 | $0 | $0 | $60,000 | $0 | $60,000 |
| U.S. Company | BUTTERNUT MOUNTAIN FARMS | Maple syrup products | $0 | $0 | $0 | $0 | $0 | $22,750 | $0 | $22,750 |
| U.S. Company | CHERRY HILL | fruit/apple butter | $5,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | CHEW INTERNATIONAL | sauces | $105,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | CHINAM INTERNATIONAL | Cole syrup | $0 | $0 | $0 | $20,000 | $0 | $0 | $0 | $0 |
| U.S. Company | COLONIAL FOODS | Soups, ice cream, cookies | $0 | $0 | $0 | $0 | $0 | $10,000 | $0 | $10,000 |
| U.S. Company | COMSTOCK | Frozen veggies | $5,000 | $10,000 | $0 | $36,000 | $0 | $0 | $0 | $0 |
| U.S. Company | COOMBS MAPLE PRODUCTS | Maple syrup products | $0 | $0 | $0 | $50,000 | $0 | $0 | $0 | $0 |
| U.S. Company | DEERING ICE CREAM | Ice cream products | $0 | $0 | $0 | $0 | $0 | $60,000 | $0 | $60,000 |
| U.S. Company | DEL'S LEMONADE & REFRESH. | Lemonade, popcorn | $0 | $0 | $0 | $0 | $30,000 | $60,000 | $0 | $60,000 |
| U.S. Company | DODD ENTERPRISES, INC. | Maple syrup prod., bakery prod | $0 | $0 | $0 | $0 | $1,250 | $5,000 | $0 | $5,000 |
| U.S. Company | EFCO PRODUCTS | pie filling | $5,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | EPIC | Bread products | $0 | $0 | $0 | $16,000 | $10,000 | $5,000 | $0 | $5,000 |
| U.S. Company | EXPORT TRADE OF AMERICA | Cereal, nuts, juice | $10,000 | $10,000 | $0 | $50,000 | $30,725 | $75,000 | $0 | $75,000 |
| U.S. Company | FEDERAL DISTILLERS | fruit bases | $100,000 | $100,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | FIDDLERS GREEN | Bakery products, cereals | $0 | $0 | $0 | $0 | $0 | $6,000 | $0 | $6,000 |
| U.S. Company | FLETCHER AND ASSOC. | grocery items | $0 | $0 | $50,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | FOOD OILS COPRORATION | corn oil | $10,000 | $10,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | F.J. FROST MARKETING | Orange juice | $0 | $0 | $0 | $30,000 | $0 | $0 | $0 | $0 |
| U.S. Company | GASTRONOMIC | juices | $10,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | GLOBAL EXPORT MKGT. CO. | canned veggies, peanut butter, cond | $0 | $0 | $0 | $0 | $10,000 | $20,000 | $0 | $20,000 |
| U.S. Company | GOLDENBERG | | $0 | $0 | $30,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | HANOVER BRANDS | can vegetables | $10,000 | $10,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | HOLIDAY FOOD & BEVERAGE | fruit | $5,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | INTERFROST | Frozen corn | $0 | $0 | $100,000 | $80,000 | $0 | $190,000 | $0 | $190,000 |
| U.S. Company | INTERNATIONAL MARKET BRANDS | Pet foods | $0 | $0 | $0 | $0 | $0 | $20,000 | $0 | $20,000 |
| U.S. Company | INTERNATIONAL NUT | nuts | $10,000 | $10,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | INTL. AMER. SUPERMARKETS | Cereal, fruit juices, canned veg. | $0 | $0 | $100,000 | $100,000 | $100,000 | $100,000 | $0 | $100,000 |
| U.S. Company | JANERIC | maple syrup | $5,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | JDM COMMODITES | Condiments, beer | $0 | $0 | $0 | $0 | $22,800 | $52,500 | $0 | $52,500 |
| U.S. Company | JOS. CERNIGI WINERY | Wine, Cider | $0 | $0 | $0 | $20,000 | $0 | $0 | $0 | $0 |
| U.S. Company | J.F. SULLIVAN | Apples | $30,000 | $30,000 | $100,000 | $100,000 | $80,000 | $100,000 | $0 | $100,000 |
| U.S. Company | KELLERS CREAMERY | Dairy products | $0 | $0 | $0 | $0 | $0 | $3,000 | $0 | $3,000 |
| U.S. Company | KENNETH STEVENS MKGT. | Salad dressing, cheesecake, sodas | $0 | $0 | $0 | $0 | $25,000 | $0 | $0 | $0 |
| U.S. Company | KINERT | kosher foods | $5,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | LANG GLOBAL TRAD. & PROV. | Fruit juice, cereal, non-alcoholic be | $0 | $0 | $0 | $0 | $6,756 | $10,000 | $0 | $10,000 |
| U.S. Company | LETOPPER | seafood | $0 | $0 | $75,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | LIU & SHAH CO. INT'L. | Fruit juices | $0 | $0 | $0 | $100,000 | $20,000 | $17,250 | $0 | $17,250 |
| U.S. Company | LOU RETTA'S | confectionary | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | LP FARMS | Apples | $25,000 | $25,000 | $0 | $15,000 | $0 | $0 | $0 | $0 |
| U.S. Company | MAINE COAST SEAFOOD | Lobster | $0 | $0 | $17,000 | $20,000 | $31,000 | $5,000 | $0 | $5,000 |
| U.S. Company | MAINE COAST SMOKE HOUSE | Seafood (smoked) | $0 | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 |
| U.S. Company | MAINE MARICULTURE INC. | Seafood | $0 | $0 | $0 | $0 | $30,000 | $30,000 | $0 | $30,000 |
| U.S. Company | MANISCHEWITZ | Kosher food products | $0 | $0 | $0 | $0 | $0 | $47,000 | $0 | $47,000 |
| U.S. Company | MAPLE GROVE | Maple syrup prod., salad dressing | $5,000 | $0 | $20,000 | $29,000 | $0 | $0 | $0 | $0 |
| U.S. Company | MIGUELS OF STOWE AWAY | Mexican food | $0 | $0 | $0 | $5,000 | $5,000 | $3,500 | $0 | $3,500 |
| U.S. Company | MITAKE | seafood | $0 | $0 | $100,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | MOTHERS MOUNTAIN MUSTARD | Condiments | $0 | $0 | $0 | $0 | $10,636 | $633 | $0 | $633 |
| U.S. Company | MOTTS | Apple sauce, cocktail mixes | $110,000 | $110,000 | $0 | $80,000 | $80,000 | $80,000 | $0 | $80,000 |

* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720−9531.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | NERVOUS NELLIES JAMS | | Jams and jellies | $0 | $0 | $0 | $0 | $15,000 | $5,000 | $0 | $5,000 |
| U.S. Company | NEW MORN INC. | | Cereals, condiments | $0 | $0 | $0 | $0 | $0 | $95,000 | $0 | $95,000 |
| U.S. Company | NEWMANS OWN | | Salad dressing/sauces | $110,000 | $110,000 | $0 | $100,000 | $0 | $0 | $0 | $0 |
| U.S. Company | NORINSBERG | | apples | $5,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | NORTH COUNTRY SMOKEHOUSE | | smoked meats | $0 | $0 | $0 | $0 | $20,000 | $0 | $0 | $0 |
| U.S. Company | ONTARIO INTERNATIONAL | | Apples, plums | $0 | $0 | $0 | $0 | $0 | $50,000 | $0 | $50,000 |
| U.S. Company | ORIGINAL TRENTON CRACKERS | | Crackers, snacks | $0 | $0 | $0 | $0 | $0 | $3,000 | $0 | $3,000 |
| U.S. Company | PAN AMERICAN TRADE DEVE. | | Canned veggies, condiments | $0 | $0 | $0 | $0 | $25,000 | $0 | $0 | $0 |
| U.S. Company | PAULS LOBSTER COMPANY | | Lobster | $0 | $0 | $0 | - $0 | $3,000 | $0 | $0 | $0 |
| U.S. Company | PET INC (PROGRESSO) | | Soup | $0 | $0 | $0 | $0 | $0 | $50,000 | $0 | $50,000 |
| U.S. Company | PHILIP D. CAPOBIANCO & CO. | | Apples, grapes | $0 | $0 | $0 | $0 | $0 | $2,500 | $0 | $2,500 |
| U.S. Company | RALSTON PURINA | | Baby food, bakery goods | $0 | $0 | $0 | $0 | $0 | $145,000 | $0 | $145,000 |
| U.S. Company | REESE FINER FOODS | | Mexican food | $0 | $0 | $0 | $0 | $0 | $30,000 | $0 | $30,000 |
| U.S. Company | RESOURCE TRADING | | Seafood | $0 | $0 | $0 | $0 | $0 | $25,000 | $0 | $25,000 |
| U.S. Company | RHODE ISLAND FRUIT GROWERS | | Apples | $0 | $0 | $0 | $12,000 | $0 | $0 | $0 | $0 |
| U.S. Company | RICH PRODUCTS | | Bakery/non-dairy products | $0 | $0 | $0 | $25,000 | $60,000 | $100,000 | $0 | $100,000 |
| U.S. Company | ROSE SPICE | | Spices | $0 | $0 | $0 | $0 | $0 | $26,250 | $0 | $26,250 |
| U.S. Company | ROYAL KEDEM WINES | | Wine, grape juice | $0 | $0 | $0 | $0 | $25,000 | $10,000 | $0 | $10,000 |
| U.S. Company | R.W. FROOKIES | | Cookies | $0 | $0 | $0 | $0 | $8,600 | $30,000 | $0 | $30,000 |
| U.S. Company | SCHAUMBACH MAPLE PRODUCTS | | Maple syrup products | $0 | $0 | $0 | $0 | $0 | $10,000 | $0 | $10,000 |
| U.S. Company | SMITH PACKING | | fresh meats | $0 | $0 | $63,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | SOUTH JERSEY FARMERS | | Veggies | $0 | $0 | $0 | $50,000 | $0 | $0 | $0 | $0 |
| U.S. Company | SWEET BREADERS LTD. | | Sweet breads | $0 | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 |
| U.S. Company | SYRACUSE EXPORT/IMPORT CO. | | Apples | $10,000 | $10,000 | $0 | $18,000 | $15,000 | $0 | $0 | $0 |
| U.S. Company | TALLMADGE BROTHERS | | Oysters | $0 | $0 | $0 | $0 | $30,000 | $8,000 | $0 | $8,000 |
| U.S. Company | TARA FOOD SERVICES | | Tomato sauce | $0 | $0 | $0 | $0 | $22,810 | $0 | $0 | $0 |
| U.S. Company | TASTE IT PRESENTS, INC | | Candy, bakery products * | $0 | $0 | $0 | $0 | $10,000 | $2,500 | $0 | $2,500 |
| U.S. Company | TRIMENT ENTERPRISE | | soda beverages | $0 | $0 | $0 | $0 | $0 | $2,500 | $0 | $2,500 |
| U.S. Company | UNITED APPLE SALES | | Apples | $5,000 | $5,000 | $0 | $10,000 | $5,100 | $46,000 | $0 | $46,000 |
| U.S. Company | U.S. FOOD PRODUCTS | | frozen food | $0 | $0 | $100,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | U.S. MILLS, INC. | | Cereal, nutbutters | $0 | $0 | $0 | $0 | $8,000 | $0 | $0 | $0 |
| U.S. Company | VERMONT APPLE MKGT. BD | | Apples | $0 | $0 | $3,000 | $3,000 | $0 | $2,800 | $0 | $2,800 |
| U.S. Company | VERMONT COUNTRY MAPLE INC | | Maple sugar | $0 | $0 | $0 | $0 | $1,000 | $0 | $0 | $0 |
| U.S. Company | VERMONT COUNTRY SEASONING | | Cocoa mix | $0 | $0 | $5,000 | $9,000 | $0 | $0 | $0 | $0 |
| U.S. Company | VERMONT DISTILLERS | | Distilled spirits | $0 | $0 | $0 | $0 | $0 | $3,000 | $0 | $3,000 |
| U.S. Company | VERMONT EPICUREAN | | Condiments | $0 | $0 | $0 | $0 | $0 | $2,500 | $0 | $2,500 |
| U.S. Company | VERMONT MAPLE EXP. COUN. | | Maple syrup products | $0 | $0 | $0 | $0 | $3,000 | $2,500 | $0 | $2,500 |
| U.S. Company | WAGNER VINEYARD | | Wine | $0 | $0 | $5,000 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | WBANA | | blueberry | $75,000 | $75,000 | $0 | $0 | $64,762 | $70,000 | $0 | $70,000 |
| U.S. Company | WBANA | | Blueberries | $0 | $0 | $0 | $75,000 | $0 | $0 | $0 | $0 |
| U.S. Company | WELCH'S | | grape juice | $30,000 | $30,000 | $100,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | WHISTING WINGS FARM INC. | | Syrups, jam, frozen berries | $0 | $0 | $0 | $0 | $45,000 | $50,000 | $0 | $50,000 |
| U.S. Company | WINE MARKETS AMERICA | | Wine | $0 | $0 | $0 | $20,000 | $0 | $0 | $0 | $0 |
| U.S. Company | WOODBERRY VINEYARDS | | Wine, champagne | $0 | $0 | $0 | $0 | $3,124 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202) 720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

KENTUCKY DISTILLERS
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 12 | | $0 | $0 | $0 | $0 | $2,000,000 | $0 | $3,100,000 | $3,100,000 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 12 | | $0 | $0 | $0 | $0 | $2,000,000 | $0 | $3,100,000 | $3,100,000 |

| KENTUCKY DISTILLERS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | AGE INTERNATIONAL | $0 | $0 | $0 | $0 | $180,000 | $0 | $168,000 | $168,000 |
| U.S. Company | AUSTIN NICHOLS AND COMPANY | $0 | $0 | $0 | $0 | $200,000 | $0 | $253,000 | $253,000 |
| U.S. Company | BARTON BRANDS | $0 | $0 | $0 | $0 | $0 | $0 | $13,000 | $13,000 |
| U.S. Company | BROWN-FORMAN | $0 | $0 | $0 | $0 | $360,000 | $0 | $910,000 | $910,000 |
| U.S. Company | GLENMORE DISTILLERIES | $0 | $0 | $0 | $0 | $100,000 | $0 | $0 | $0 |
| U.S. Company | HEAVEN HILL DISTILLERIES | $0 | $0 | $0 | $0 | $200,000 | $0 | $203,000 | $203,000 |
| U.S. Company | HIRAM WALKER AND SONS | $0 | $0 | $0 | $0 | $200,000 | $0 | $178,000 | $178,000 |
| U.S. Company | INTERCONTINENTAL PACKAGING | $0 | $0 | $0 | $0 | $75,000 | $0 | $98,000 | $98,000 |
| U.S. Company | JIM BEAM BRANDS | $0 | $0 | $0 | $0 | $300,000 | $0 | $728,000 | $728,000 |
| U.S. Company | JOSEPH E. SEAGRAM AND SONS | $0 | $0 | $0 | $0 | $100,000 | $0 | $146,000 | $146,000 |
| U.S. Company | SAZERAC COMPANY | $0 | $0 | $0 | $0 | $75,000 | $0 | $78,000 | $78,000 |
| U.S. Company | SCHENLEY INTERNATIONAL | $0 | $0 | $0 | $0 | $250,000 | $0 | $338,000 | $338,000 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| MID-AMERICA INTL AGRI-TRADE Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 66 | | $517,719 | $93,317 | $162,307 | $1,514,500 | $1,224,353 | $0 | $3,948,130 | $3,948,130 |
| | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 66 | | $517,719 | $93,317 | $162,307 | $1,514,500 | $1,224,353 | $0 | $3,948,130 | $3,948,130 |

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| MID-AMERICA INTL AGRI-TRADE | | | | | | | | | | |
| U.S. Company | ADM FOODS | Soy Protein | $0 | $0 | $0 | $26,000 | $0 | $0 | $0 | $0 |
| U.S. Company | ALPO PETFOODS | | $0 | $0 | $0 | $0 | $0 | $0 | $40,000 | $40,000 |
| U.S. Company | AMERICAN AG-TEC | Popcorn | $12,744 | $0 | $0 | $40,000 | $7,163 | $0 | $100,000 | $100,000 |
| U.S. Company | AMERICAN MEAT PROTEIN | Beef plasma, protein | $15,003 | $0 | $8,019 | $25,000 | $24,766 | $0 | $37,500 | $37,500 |
| U.S. Company | AMERICAN POPCORN | Popcorn, Shortening | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 | $50,000 |
| U.S. Company | BEATREME | Non-dairy/dairy powders, shortening | $47,600 | $0 | $0 | $50,000 | $13,114 | $0 | $95,000 | $95,000 |
| U.S. Company | BEATRICE MEATS | Shortening/Cheese/Margarine | $35,100 | $0 | $56,000 | $18,000 | $0 | $0 | $47,500 | $47,500 |
| U.S. Company | BORDEN | Snack foods, jams, sauces, condimer | $0 | $0 | $0 | $60,000 | $64,648 | $0 | $200,000 | $200,000 |
| U.S. Company | BUNGE FOODS | Oils, Vegetables | $0 | $0 | $0 | $0 | $0 | $0 | $50,750 | $50,750 |
| U.S. Company | CAMPBELLS SOUP | Tomato juice, vegetable juice | $0 | $0 | $0 | $0 | $60,000 | $0 | $200,000 | $200,000 |
| U.S. Company | CAPTIAL PET FOODS | Pet Foods | $0 | $0 | $0 | $0 | $0 | $0 | $60,000 | $60,000 |
| U.S. Company | CHERRY CENTRAL | dried cherries | $0 | $0 | $0 | $5,000 | $0 | $0 | $0 | $0 |
| U.S. Company | CHIEF INDUSTRIES | | $0 | $0 | $0 | $0 | $0 | $0 | $18,000 | $18,000 |
| U.S. Company | CHIEFTAIN | Wild rice products | $0 | $0 | $0 | $0 | $0 | $0 | $80,000 | $80,000 |
| U.S. Company | CONAGRA | Prepared meals/entrees | $70,000 | $0 | $0 | $100,000 | $160,000 | $0 | $200,000 | $200,000 |
| U.S. Company | DAHLGREN | Sunflowerseeds | $0 | $5,500 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | DELICIOUS FOODS | Frozen/processed potatoes | $0 | $0 | $0 | $80,000 | $0 | $0 | $25,000 | $25,000 |
| U.S. Company | EVER FRESH | Parsnips, celery, radishes | $0 | $0 | $0 | $0 | $0 | $0 | $45,000 | $45,000 |
| U.S. Company | FLORHAUG AND ASSCO. | Wild rice | $0 | $0 | $0 | $0 | $0 | $0 | $61,000 | $61,000 |
| U.S. Company | GENERAL MILLS | Cake mixes, cereals | $11,269 | $0 | $0 | $45,000 | $0 | $0 | $80,000 | $80,000 |
| U.S. Company | GERBER | Baby food | $0 | $0 | $0 | $0 | $0 | $0 | $80,000 | $80,000 |
| U.S. Company | GOLDEN VALLEY | Popcorn | $0 | $0 | $0 | $74,000 | $150,000 | $0 | $200,000 | $200,000 |
| U.S. Company | HAZLEWOOD FRAMS | | $0 | $0 | $0 | $0 | $0 | $0 | $40,000 | $40,000 |
| U.S. Company | HILLS PET PRODUDUCTS | Pet foods | $0 | $0 | $0 | $0 | $80,000 | $0 | $80,000 | $80,000 |
| U.S. Company | HONEE BEAR | Cherries, blueberries | $40,000 | $0 | $5,089 | $45,000 | $45,000 | $0 | $50,000 | $50,000 |
| U.S. Company | HSU'S GINSENG | Ginseng products | $0 | $7,724 | $0 | $20,000 | $5,240 | $0 | $30,000 | $30,000 |
| U.S. Company | HUNT-WESSON | | $0 | $0 | $0 | $0 | $0 | $0 | $80,000 | $80,000 |
| U.S. Company | IAMS COMPANY | Pet Foods | $0 | $0 | $0 | $0 | $0 | $0 | $80,000 | $80,000 |
| U.S. Company | INT'L AMERICAN SUPERMARKETS | Cereals/Vegs./Condiments/Pet Food | $0 | $0 | $0 | $0 | $0 | $0 | $200,000 | $200,000 |
| U.S. Company | INT'L MARKET BRANDS (IMB) | Cheeses, spreads | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 | $50,000 |
| U.S. Company | JAMESON-WILLIAMS | Soybeans | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 | $50,000 |
| U.S. Company | JONES DAIRY | Pork sausage | $5,611 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | KRAFT | Condiments, cheese, pasta dinners | $0 | $0 | $0 | $80,000 | $0 | $0 | $0 | $0 |
| U.S. Company | KROGER | Full grocery line | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | LA PREFERIDA | Mexican foods | $0 | $0 | $0 | $0 | $0 | $0 | $52,000 | $52,000 |
| U.S. Company | LOCKHEAD VANILLA | Vanilla/Lemon/Almond Extracts | $0 | $0 | $0 | $0 | $0 | $0 | $5,060 | $5,060 |
| U.S. Company | MERCANTILE FOODS | Organic bread, grains | $0 | $0 | $0 | $25,250 | $1,409 | $0 | $80,000 | $80,000 |
| U.S. Company | MORRISION FARMS | Popcorn, snack foods | $0 | $0 | $0 | $40,000 | $56,351 | $0 | $50,000 | $50,000 |
| U.S. Company | NEBRASKA DAIRES | Froz. Yogurt/Ice cream/sherbert | $0 | $0 | $0 | $0 | $0 | $0 | $79,000 | $79,000 |
| U.S. Company | OLIVER WINE | Wine coolers | $0 | $2,047 | $0 | $15,000 | $0 | $0 | $0 | $0 |
| U.S. Company | PAN-A-LIVE PIZZA | | $0 | $0 | $0 | $0 | $0 | $0 | $25,000 | $25,000 |
| U.S. Company | PARCO | Cookies | $7,411 | $0 | $2,212 | $11,250 | $0 | $0 | $0 | $0 |
| U.S. Company | PETROFSKY'S BAKERY | Bagels | $0 | $0 | $0 | $14,500 | $40,124 | $0 | $112,000 | $112,000 |
| U.S. Company | PET, INC | Ethnic Foods (Mexican) | $43,473 | $0 | $0 | $80,000 | $160,000 | $0 | $200,000 | $200,000 |
| U.S. Company | PILLSBURY | Cake mixes, frozen/canned ver., pizza | $30,000 | $0 | $93,987 | $90,000 | $166,156 | $0 | $200,000 | $200,000 |
| U.S. Company | PORTLAND FOODS | Snack foods/cereals/cherries | $0 | $0 | $0 | $0 | $0 | $0 | $66,500 | $66,500 |
| U.S. Company | PROTEIN TECH INTERNATIONAL | Soy proteins | $0 | $0 | $0 | $0 | $1,018 | $0 | $90,000 | $90,000 |
| U.S. Company | PURITY FOOD | Pasta flour, muffin mix | $0 | $48,394 | $0 | $48,000 | $18,920 | $0 | $22,750 | $22,750 |
| U.S. Company | QUAKER OATS | Cereals | $0 | $0 | $0 | $0 | $0 | $0 | $80,000 | $80,000 |
| U.S. Company | RALSTON PURINA | Pet food, cereals | $46,150 | $24,652 | $0 | $200,000 | $49,725 | $0 | $110,000 | $110,000 |
| U.S. Company | RED RIVER COMMODITIES | sunflower seeds, millet, flax | $0 | $0 | $0 | $0 | $23,895 | $0 | $20,000 | $20,000 |
| U.S. Company | R.W. FROOKIES | Cookies | $0 | $0 | $0 | $0 | $0 | $0 | $80,000 | $80,000 |
| U.S. Company | SAHAGIN & ASSOCIATES | Candy | $0 | $0 | $0 | $0 | $0 | $0 | $6,000 | $6,000 |
| U.S. Company | SIGCO SUN | Sunflower seeds | $0 | $0 | $0 | $0 | $0 | $0 | $15,000 | $15,000 |
| U.S. Company | SONNE LABS | Sunflower seeds | $0 | $0 | $0 | $23,000 | $19,175 | $0 | $80,000 | $80,000 |
| U.S. Company | SPECIALTY GRAIN | Popcorn/Snack Foods | $0 | $0 | $0 | $0 | $0 | $0 | $30,500 | $30,500 |
| U.S. Company | STOKELY USA | Canned vegetables | $0 | $5,000 | $0 | $11,500 | $0 | $0 | $0 | $0 |
| U.S. Company | STRUM & SONS | Powdered drink mixes | $2,257 | $0 | $0 | $30,000 | $0 | $0 | $0 | $0 |
| U.S. Company | TONE BROS | Spices | $0 | $0 | $0 | $73,000 | $7,068 | $0 | $0 | $0 |
| U.S. Company | TROY HRGRO | Tomatos | $0 | $0 | $0 | $15,000 | $0 | $0 | $0 | $0 |
| U.S. Company | UPPER CRUST INTERNATIONAL | Snack Foods | $0 | $0 | $0 | $0 | $0 | $0 | $40,000 | $40,000 |
| U.S. Company | U S MILLS | | $0 | $0 | $0 | $0 | $0 | $0 | $2,560 | $2,560 |

* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | VIENNNA SAUSAGES | | Cake/Quiche/Sausage/Froz. Dessert | $0 | $0 | $0 | $0 | $0 | $0 | $80,000 | $80,000 |
| U.S. Company | WEAVER POPCORN | | Popcorn | $48,131 | $0 | $0 | $100,000 | $0 | $0 | $90,000 | $90,000 |
| U.S. Company | WELL'S DAIRY | | Ice cream | $0 | $0 | $0 | $0 | $0 | $0 | $20,000 | $20,000 |
| U.S. Company | WYANDOT | | Popcorn | $55,950 | $0 | $0 | $50,000 | $11,311 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| NATIONAL PASTA ASSOCIATION Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 3 | | $0 | $0 | $0 | $0 | $285,000 | $0 | $0 | $0 |
| | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 3 | | $0 | $0 | $0 | $0 | $285,000 | $0 | $0 | $0 |

| NATIONAL PASTA ASSOCIATION | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | AMER. ITALIAN PASTA CO. | | $0 | $0 | $0 | $0 | $27,500 | $0 | $0 | $0 |
| U.S. Company | BEST FOODS/CPC | | $0 | $0 | $0 | $0 | $187,500 | $0 | $0 | $0 |
| U.S. Company | NONA MORELLI INC | | $0 | $0 | $0 | - $0 | $60,000 | $0 | $0 | $0 |
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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

SOUTHERN U.S. TRADE ASSN.
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 85 | | $707,725 | $0 | $853,104 | $1,824,625 | $1,273,629 | $2,514,000 | $521,000 | $3,035,000 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 85 | | $707,725 | $0 | $853,104 | $1,824,625 | $1,273,629 | $2,514,000 | $521,000 | $3,035,000 |

SOUTHERN U.S. TRADE ASSN.

| Brand Type | Branded Companies | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | ALIMENTCO | Canned veg., snack foods, baking go | $0 | $0 | $0 | $0 | $0 | $42,000 | $0 | $42,000 |
| U.S. Company | AMERICAN TANNIN & LEATHER | Alligator hide | $0 | $0 | $0 | $0 | $0 | $28,000 | $0 | $28,000 |
| U.S. Company | AUTINS CAJUN COOKERY | Cajun seasonings/mayonnaise | $17,400 | $0 | $0 | $80,000 | $0 | $0 | $0 | $0 |
| U.S. Company | BALTIMORE PIZZA CRUST CO. | Pizza crust | $0 | $0 | $0 | $0 | $14,436 | $0 | $0 | $0 |
| U.S. Company | BASCO | Fresh/frozen seafood products | $15,000 | $0 | $18,000 | $15,000 | $1,076 | $0 | $0 | $0 |
| U.S. Company | BELLINGER ASSOC. | Alcoholic/non-alcoholic beer | $0 | $0 | $0 | $0 | $40,000 | $120,000 | $50,000 | $170,000 |
| U.S. Company | BRICE FOODS, INC. | Frozen Yougurt | $0 | $0 | $0 | $0 | $22,000 | $80,000 | $14,000 | $94,000 |
| U.S. Company | BROWN'S VELVET DAIRY PRODUCTS | Ice cream/ice milk, frozen dessert | $0 | $0 | $0 | $0 | $41,712 | $60,000 | $0 | $60,000 |
| U.S. Company | BRUCE FOODS | Mexican/Cajun processed foods | $270,000 | $0 | $270,000 | $270,000 | $266,916 | $270,000 | $60,000 | $330,000 |
| U.S. Company | BUSINESS ADVISORY & SERVICES | Alligator, catfish, clams | $0 | $0 | $0 | $0 | $0 | $15,000 | $0 | $15,000 |
| U.S. Company | CAJUN MAGIC, INC | Cajun seasonings | $0 | $0 | $0 | $0 | $12,548 | $0 | $0 | $0 |
| U.S. Company | CAMPBELL SOUP COMPANY | Soup, pork&beans, pasta, veg. juice | $0 | $0 | $0 | $0 | $11,069 | $140,000 | $50,000 | $190,000 |
| U.S. Company | CAPTIAL PETFOODS | Petfood | $0 | $0 | $50,000 | $200,000 | $0 | $0 | $0 | $0 |
| U.S. Company | CARIBBEAN MERCHANT TRADERS | Puerto Rican coffee | $0 | $0 | $0 | $0 | $0 | $10,000 | $15,000 | $25,000 |
| U.S. Company | CAROLINA CLASSICS CATFISH | Catfish | $0 | $0 | $0 | $0 | $0 | $2,000 | $0 | $2,000 |
| U.S. Company | CAULKINS INDIANTOWN CITRUS | Orange & grapefruit juices | $0 | $0 | $0 | $0 | $70,000 | $100,000 | $50,000 | $150,000 |
| U.S. Company | CENTURY HARVEST FOODS | Wild rice | $0 | $0 | $0 | $0 | $15,000 | $10,000 | $0 | $10,000 |
| U.S. Company | CHASTIN C/O REED BROTHERS | Thoroughbred horses | $0 | $0 | $0 | $0 | $545 | $0 | $0 | $0 |
| U.S. Company | CHEF PAUL PRUDHOMME'S MAGIC SEA | Cajun seasonings | $0 | $0 | $0 | $0 | $0 | $25,000 | $0 | $25,000 |
| U.S. Company | CHICKASHA COTTON OIL | Cottonseed oil | $0 | $0 | $107,000 | $100,000 | $0 | $0 | $0 | $0 |
| U.S. Company | COASTAL DAIRY PRODUCTS | yogurt | $0 | $0 | $0 | $0 | $0 | $3,000 | $0 | $3,000 |
| U.S. Company | COUNTRY SKILLET CATFISH | Catfish | $0 | $0 | $0 | $0 | $99,000 | $52,000 | $0 | $52,000 |
| U.S. Company | CRAWFISH UNLIMITED, INC. | Crawfish | $0 | $0 | $0 | $0 | $0 | $1,000 | $0 | $1,000 |
| U.S. Company | CROWN PRODUCTS | Condiments, candy, pet food, nuts, ca | $0 | $0 | $0 | $0 | $80,000 | $100,000 | $50,000 | $150,000 |
| U.S. Company | CRYSTAL INTERNATIONAL | sauces, mustard, popcorn, pet food | $95,000 | $0 | $100,000 | $125,000 | $38,865 | $65,000 | $0 | $65,000 |
| U.S. Company | CRYSTAL VALLEY CATFISH | Catfish | $0 | $0 | $0 | $206,000 | $0 | $0 | $0 | $0 |
| U.S. Company | DIXIE BREWING COMPANY | Beer | $0 | $0 | $0 | $0 | $0 | $11,500 | $0 | $11,500 |
| U.S. Company | EDWARDS BAKING | Apple/Cherry pie slices | $0 | $0 | $0 | $40,000 | $0 | $0 | $0 | $0 |
| U.S. Company | FAIRCO | Potato sticks, cornflakes, marshmallo | $0 | $0 | $0 | $2,125 | $0 | $4,000 | $0 | $4,000 |
| U.S. Company | FLORIDA EURO | Limes, corn, avocados, mangoes, aspa | $0 | $0 | $25,500 | $25,000 | $10,345 | $25,000 | $0 | $25,000 |
| U.S. Company | FRUITS INTERNATIONAL | Mangoes | $0 | $0 | $0 | $0 | $48,349 | $80,000 | $0 | $80,000 |
| U.S. Company | GERBER PRODUCTS CO. | Baby foods | $0 | $0 | $0 | $0 | $0 | $100,000 | $60,000 | $160,000 |
| U.S. Company | GOLDEN 100 | Drink bases | $0 | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 |
| U.S. Company | GOOD MARK | Beef sticks | $70,000 | $0 | $70,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | GRAND PRODUCTS FLORIDA | Citrus oils/aromas | $0 | $0 | $0 | $0 | $0 | $8,000 | $0 | $8,000 |
| U.S. Company | GRAND PRODUCTS INTER | Beverage bases | $0 | $0 | $0 | $0 | $0 | $8,500 | $0 | $8,500 |
| U.S. Company | GULF SOUTH DISTRIBUTORS | Catfish, turtle, alligator, oysters, rabbit | $0 | $0 | $0 | $0 | $0 | $5,000 | $0 | $5,000 |
| U.S. Company | G. HEILEMAN | Beer | $0 | $0 | $0 | $0 | $85,000 | $175,000 | $15,000 | $190,000 |
| U.S. Company | HANDY SOFTSHELL CRAWFISH | Crawfish | $0 | $0 | $0 | $0 | $6,180 | $0 | $0 | $0 |
| U.S. Company | HDC MANAGEMENT | Mangoes, Mango paste | $0 | $0 | $0 | $0 | $90,000 | $0 | $50,000 | $50,000 |
| U.S. Company | HELENS TROPICAL EXOTICS | Dessert toppings/seasonings | $0 | $0 | $0 | $3,000 | $1,727 | $7,000 | $0 | $7,000 |
| U.S. Company | INTER-FLORIDIANA, INC. | Orange & Grapefruit juices | $0 | $0 | $0 | $0 | $18,401 | $150,000 | $0 | $150,000 |
| U.S. Company | INTERNATIONAL INDUSTRIES CORP. | Bakery products | $0 | $0 | $0 | $0 | $8,106 | $18,000 | $0 | $18,000 |
| U.S. Company | INTERNATIONAL PRODUCTS | Catfish | $0 | $0 | $0 | $0 | $482 | $0 | $0 | $0 |
| U.S. Company | JACQUES BOSSE & ASSOC. | Non-Alcoholic Malt Beverage | $0 | $0 | $0 | $0 | $11,039 | $36,000 | $0 | $36,000 |
| U.S. Company | JOHN HANDY SOFT SHELL | Crawfish | $0 | $0 | $0 | $0 | $0 | $18,000 | $0 | $18,000 |
| U.S. Company | J. R. BROOKS | Avocados, limes, mangos, carambola | $0 | $0 | $0 | $0 | $0 | $42,000 | $0 | $42,000 |
| U.S. Company | KLEINS SEAFOOD | Crawfish/Alligator meat | $0 | $0 | $0 | $50,000 | $0 | $0 | $0 | $0 |
| U.S. Company | K-PAULS | Cajun seasonings | $0 | $0 | $0 | $60,000 | $0 | $0 | $0 | $0 |
| U.S. Company | LANCE INC. | snack foods and nuts | $0 | $0 | $0 | $0 | $0 | $20,000 | $0 | $20,000 |
| U.S. Company | LE TOPPER FOODS, INC. | Catfish, crawfish, prawns, bass, allig | $0 | $0 | $0 | $0 | $25,000 | $0 | $0 | $0 |
| U.S. Company | LOUISIANA PREMIUM SEAFOODS | Crawfish, Catfish, Oysters, Alligator | $0 | $0 | $0 | $0 | $40,000 | $80,000 | $0 | $80,000 |
| U.S. Company | LA. TESTE SERVICES | Snack foods, cookies, crackers, cand | $0 | $0 | $0 | $0 | $0 | $11,500 | $0 | $11,500 |
| U.S. Company | MANCHESTER FARMS | Quail products | $0 | $0 | $0 | $40,500 | $0 | $0 | $0 | $0 |
| U.S. Company | MCILHENNY COMPANY | pepper sauce | $0 | $0 | $0 | $200,000 | $180,000 | $250,000 | $50,000 | $300,000 |
| U.S. Company | MECCA ENTERPRISES | Health foods, peanut butter, nuts dres | $0 | $0 | $0 | $0 | $0 | $15,000 | $5,000 | $20,000 |
| U.S. Company | MESSINA HOF WINE CELLERS | Wines, jellies, mustards, dressings | $0 | $0 | $0 | $0 | $0 | $4,000 | $0 | $4,000 |
| U.S. Company | MONTAGUE FARMS | Edible soybeans | $0 | $0 | $0 | $0 | $301 | $10,000 | $0 | $10,000 |
| U.S. Company | NATIONAL FRUIT FLAVOR | Bar mixes, flavoring syrups | $0 | $0 | $0 | $6,000 | $0 | $0 | $0 | $0 |
| U.S. Company | NIPUSPAN INT. | Puerto Rican coffee | $0 | $0 | $0 | $0 | $454 | $90,000 | $40,000 | $130,000 |
| U.S. Company | PACE AGRICULTURAL PRODUCTS | Mangos, exotic fruits | $0 | $0 | $0 | $0 | $0 | $90,000 | $0 | $90,000 |
| U.S. Company | PANOLA PEPPER | Pepper sauce | $0 | $0 | $0 | $30,000 | $0 | $0 | $0 | $0 |

* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | PARCHED CORN ROLLER | | BBQ sauce/peanut butter, salad dres | $0 | $0 | $0 | $0 | $200 | $1,000 | $0 | $1,000 |
| U.S. Company | PECAN VALLEY NUT CO. | | Shelled pecans | $0 | $0 | $0 | $0 | $0 | $5,000 | $0 | $6,000 |
| U.S. Company | PEIDMONT SEED AND CHEMICAL | | Popcorn | $0 | $0 | $0 | $0 | $0 | $2,000 | $0 | $2,000 |
| U.S. Company | PIAZZA'S INTERNATIONAL | | Mullet roe, minnows, fish by-product | $0 | $0 | $0 | $0 | $0 | $3,000 | $0 | $3,000 |
| U.S. Company | RICHLAND BEVERAGE | | Non-alcoholic beer | $125,000 | $0 | $125,000 | $100,000 | $14,666 | $30,000 | $0 | $30,000 |
| U.S. Company | ROBINSON EXPORTS | | Livestock feed/pecan products | $0 | $0 | $0 | $0 | $0 | $6,000 | $0 | $6,000 |
| U.S. Company | SO GOOD SOUTH | | Corn and potato snacks | $0 | $0 | $60,000 | $60,000 | $0 | $0 | $0 | $0 |
| U.S. Company | SOFT CRAWFISH | | Crawfish | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 | $0 |
| U.S. Company | SOUTH LOUISIANA SEAFOOD DIST. | | Crawfish | $0 | $0 | $0 | $0 | $0 | $5,000 | $0 | $5,000 |
| U.S. Company | SOUTHERN GOLD HONEY | | Processed honey | $12,075 | $0 | $18,000 | $18,000 | $3,273 | $0 | $0 | $0 |
| U.S. Company | STAMEY FARMS | | Dairy cattle | $0 | $0 | $0 | $0 | $2,800 | $0 | $0 | $0 |
| U.S. Company | TEXAS PECAN | | Pecans | $75,250 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | TEXAS WILD GAME COOPERATIVE | | Antelope & wild boar | $0 | $0 | $0 | $0 | $0 | $6,000 | $0 | $6,500 |
| U.S. Company | THE BUCK GROUP | | Beer | $0 | $0 | $0 | $0 | $4,298 | $0 | $0 | $0 |
| U.S. Company | THE GREAT SAN SABA RIVER | | Pecans | $0 | $0 | $0 | $0 | $0 | $18,000 | $0 | $18,000 |
| U.S. Company | THE OLD CITY BREWING | | Malt beer | $0 | $0 | $0 | $19,000 | $0 | $0 | $0 | $0 |
| U.S. Company | TOM'S SNACKS | | Snacks | $28,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | TORBITT & CASTLEMAN | | BBQ sauces, syrups | $0 | $0 | $0 | $0 | $0 | $20,000 | $0 | $20,000 |
| U.S. Company | TROPICAL BLOSSOM | | Processed honey | $0 | $0 | $0 | $35,000 | $2,326 | $0 | $0 | $0 |
| U.S. Company | U.S. FARM RAISED CATFISH | | Catfish | $0 | $0 | $24,604 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | VIKING LINE PROMOTION | | Crawfish | $0 | $0 | $0 | $175,000 | $0 | $0 | $0 | $0 |
| U.S. Company | W.B.REILY | | Coffee, salad dressings, sauces | $0 | $0 | $0 | $0 | $0 | $13,000 | $0 | $13,000 |
| U.S. Company | YOUNG PECAN SHELLING | | Pecans | $0 | $0 | $0 | $0 | $0 | $30,000 | $12,000 | $42,000 |
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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| WESTERN U.S. AGRI. TRADE ASSN. Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 112 | | $224,542 | $528,908 | $348,269 | $3,239,500 | $1,994,488 | $2,381,000 | $3,529,200 | $5,910,200 |
| | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 112 | | $224,542 | $528,908 | $348,269 | $3,239,500 | $1,994,488 | $2,381,000 | $3,529,200 | $5,910,200 |

| WESTERN U.S. AGRI. TRADE ASSN. | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | AGRIPAC | Vegetables | $0 | $0 | $0 | $30,000 | $0 | $0 | $0 | $0 |
| U.S. Company | ALASKA WILDERNESS GOURMET | Jams/Jellies/Syrups | $0 | $0 | $0 | $0 | $0 | $0 | $4,000 | $4,000 |
| U.S. Company | ALMOND ROCO | Mixed nut prod./snacks | $41,709 | $74,743 | $10,144 | $80,000 | $0 | $0 | $0 | $0 |
| U.S. Company | AMERICAN WINE TRADE | Wine | $0 | $0 | $10,000 | $20,000 | $23,000 | $69,000 | $17,000 | $86,000 |
| U.S. Company | AMER. FINE FOOD | Canned Meat/Vegs./Beans | $9,000 | $36,176 | $0 | $40,000 | $22,722 | $0 | $35,000 | $35,000 |
| U.S. Company | AMER. PECANS | Pecans and Products | $8,644 | $10,673 | $5,257 | $50,000 | $0 | $0 | $0 | $0 |
| U.S. Company | ARBOR CREST | Wine | $0 | $0 | $448 | $10,000 | $0 | $0 | $7,500 | $7,500 |
| U.S. Company | ARTANIS FOODS | Sauces | $0 | $0 | $0 | $0 | $0 | $0 | $10,000 | $10,000 |
| U.S. Company | AUNT PATSY'S PANTRY | Macaroni/Bread mixes | $0 | $0 | $0 | $0 | $550 | $1,000 | $2,000 | $3,000 |
| U.S. Company | BASIC AMERICAN FOOD | Dehydrated Potatoes/Sauces | $0 | $0 | $0 | $0 | $0 | $0 | $200,000 | $200,000 |
| U.S. Company | BAY BEVERAGES | Juice drinks/cookies/Conc. | $0 | $0 | $0 | $0 | $40,000 | $0 | $40,000 | $40,000 |
| U.S. Company | BEICH COMPANY | Cocktail mixes | $0 | $0 | $0 | $0 | $0 | $0 | $100,000 | $100,000 |
| U.S. Company | BLUE SKY NATURAL | Sodas | $0 | $0 | $0 | $0 | $0 | $0 | $25,000 | $25,000 |
| U.S. Company | BOBOLI INTERNATIONAL | Pre-baked cheese bread | $0 | $0 | $0 | $0 | $14,674 | $25,000 | $5,000 | $30,000 |
| U.S. Company | BOYD'S COFFEE | Coffee/soup bases and mixes | $0 | $0 | $0 | $25,000 | $2,305 | $0 | $38,000 | $38,000 |
| U.S. Company | BRUCE FOODS | Mexican Food Products | $3,358 | $36,225 | $0 | $100,000 | $37,090 | $115,000 | $89,000 | $204,000 |
| U.S. Company | S.M. LAWRENCE & CO | Fruit juices/soft drinks/fruits/vegs. | $0 | $0 | $0 | $0 | $5,454 | $0 | $105,000 | $105,000 |
| U.S. Company | CA CHERRY EXPORT ASSN. | Bing Cherries | $0 | $0 | $0 | $10,000 | $12,000 | $0 | $15,000 | $15,000 |
| U.S. Company | CA WINE | Wine | $0 | $0 | $5,000 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | CAL WINE COUNTRY ENT. | Wine | $0 | $0 | $0 | $0 | $1,143 | $0 | $10,000 | $10,000 |
| U.S. Company | CAMPBELLS SOUP | Soups/cookies/sauces | $0 | $0 | $0 | $180,000 | $195,000 | $115,000 | $200,000 | $315,000 |
| U.S. Company | CANTERBURY CUISINE | Dry soup mixes/bread mixes | $0 | $0 | $0 | $0 | $0 | $0 | $5,000 | $5,000 |
| U.S. Company | CASCADE ESTATES | Wine | $0 | $0 | $0 | $0 | $0 | $0 | $26,000 | $26,000 |
| U.S. Company | CASCADIAN FARM | Fruits/Vegs. | $0 | $0 | $0 | $30,000 | $30,000 | $115,000 | $15,000 | $130,000 |
| U.S. Company | CELES SEASONINGS | Herbal Teas | $8,249 | $12,551 | $0 | $30,000 | $31,840 | $0 | $0 | $0 |
| U.S. Company | CHAPELLE USA, INC. | Wine | $0 | $0 | $0 | $0 | $518 | $0 | $0 | $0 |
| U.S. Company | CHATEAU BENOIT | Wine | $0 | $0 | $0 | $0 | $0 | $6,000 | $7,000 | $13,000 |
| U.S. Company | CHIQUITA BRANDS | Honeydew melons | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 | $50,000 |
| U.S. Company | CHUKAR CHERRY | Cherry products | $0 | $0 | $0 | $0 | $6,000 | $4,000 | $8,000 | $12,000 |
| U.S. Company | COLUMBIA WINERY | Wine | $0 | $0 | $0 | $0 | $2,183 | $0 | $20,000 | $20,000 |
| U.S. Company | CONTINENTAL MILLS | Bakery Mixes | $0 | $0 | $0 | $125,000 | $3,650 | $0 | $20,000 | $20,000 |
| U.S. Company | COOKIETREE BAKERIES | Cookie products | $0 | $0 | $0 | $0 | $25,000 | $0 | $106,000 | $106,000 |
| U.S. Company | COUNTRY ESTATES PECANS | Pecans/Candy | $0 | $0 | $0 | $0 | $0 | $25,000 | $6,000 | $31,000 |
| U.S. Company | DIR MKT GRP | Frozen Fruits | $0 | $0 | $0 | $30,000 | $0 | $0 | $0 | $0 |
| U.S. Company | DOLE DRIED FRUIT | Pistachios | $0 | $0 | $0 | $0 | $0 | $40,000 | $75,000 | $115,000 |
| U.S. Company | DOMAIN CHEURLIN | Wine | $0 | $0 | $0 | $0 | $0 | $50,000 | $13,000 | $63,000 |
| U.S. Company | DRYERS GRAND ICE CREAM | Ice Cream | $0 | $0 | $0 | $0 | $0 | $0 | $200,000 | $200,000 |
| U.S. Company | EJ GALLO | Brandy | $0 | $0 | $26,400 | $180,000 | $195,000 | $115,000 | $200,000 | $315,000 |
| U.S. Company | EUROPA VINEYARDS | Champagne/Sparkling Wine | $0 | $0 | $0 | $0 | $4,182 | $0 | $0 | $0 |
| U.S. Company | FLEMING FOODS | Potato chips/Pet Food/Dairy Prod. | $0 | $0 | $0 | $23,000 | $10,032 | $20,000 | $20,000 | $40,000 |
| U.S. Company | FOOD PROD INTL | Fruits/Vegetables | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | FRESH WESTERN MARKETING | Juices | $0 | $0 | $0 | $0 | $0 | $115,000 | $100,000 | $215,000 |
| U.S. Company | GENUARDI FARM | Garlic/Sauces/Seafood Products | $15,000 | $30,000 | $38,000 | $125,000 | $0 | $0 | $0 | $0 |
| U.S. Company | GERING & SON | Potato products | $0 | $0 | $0 | $0 | $26,934 | $8,000 | $8,000 | $16,000 |
| U.S. Company | GLORIA SAMPLE & CO. | Preserves | $0 | $0 | $0 | $0 | $0 | $0 | $7,000 | $7,000 |
| U.S. Company | GLORYBEE NAT | Bee Pollen/Jelly | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | GOLDEN TEMPLE BAKERY | Muesli/granola | $0 | $0 | $0 | $0 | $0 | $0 | $5,000 | $5,000 |
| U.S. Company | GRANNY GOOSE | Potato Snacks | $0 | $0 | $0 | $20,000 | $0 | $0 | $0 | $0 |
| U.S. Company | GREAT WESTERN TORTILLA CO. | Chips/Bean Dip | $0 | $0 | $0 | $0 | $18,000 | $8,000 | $0 | $8,000 |
| U.S. Company | HANSA-PACIFIC | Corn/Potato Chips | $0 | $30,000 | $0 | $30,000 | $0 | $30,000 | $8,000 | $38,000 |
| U.S. Company | HAWAIIAN SUN PRODUCTS | Fruit juices/Preserves | $0 | $0 | $0 | $0 | $0 | $95,000 | $35,000 | $130,000 |
| U.S. Company | HOGUE CELLARS | Wine/Pickled Vegs. | $0 | $0 | $25,400 | $36,000 | $31,000 | $0 | $18,000 | $18,000 |
| U.S. Company | HOODSPORT WINERY | Wine/Salmon/Truffles | $2,212 | $3,520 | $0 | $1,000 | $1,438 | $3,000 | $2,000 | $5,000 |
| U.S. Company | HOODY CORP | Peanut Butter/Yogurt/Dried Fruits/Nuts | $0 | $0 | $0 | $50,000 | $13,818 | $31,000 | $8,000 | $38,000 |
| U.S. Company | INTEC. INC | Nutrients for feed/Pre-mixes | $0 | $0 | $0 | $115,500 | $0 | $0 | $0 | $0 |
| U.S. Company | INTER-TRADE SUP | Gourmet food products | $0 | $0 | $73 | $20,000 | $0 | $0 | $0 | $0 |
| U.S. Company | JOHN LABATT FOODS | Froz. soups/snacks/desserts | $0 | $0 | $0 | $0 | $0 | $100,000 | $30,000 | $130,000 |
| U.S. Company | J&S ASSCO. | Non-alcoholic malt beverages | $0 | $0 | $0 | $100,000 | $12,807 | $135,000 | $0 | $135,000 |
| U.S. Company | J.R. SIMPLOT | Fruits/Vegs./Pasta | $0 | $0 | $88,800 | $142,500 | $56,143 | $0 | $49,000 | $49,000 |
| U.S. Company | KAL KAN FOODS | Pet foods | $0 | $0 | $0 | $180,000 | $195,000 | $115,000 | $200,000 | $315,000 |
| U.S. Company | LA CORONA FOODS | Yogurt | $0 | $0 | $0 | $0 | $0 | $0 | $100,000 | $100,000 |
| U.S. Company | LA JUICE | Fruit juices | $0 | $0 | $3,832 | $22,500 | $0 | $0 | $0 | $0 |

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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | LEPRINO FOODS | | Whey protein conc. | $0 | $0 | $0 | $0 | $0 | $0 | $10,000 | $10,000 |
| U.S. Company | LEROUX CREEK FOODS | | Dehydrated Fruits/Vegs. | $0 | $0 | $0 | $0 | $5,468 | $0 | $6,000 | $6,000 |
| U.S. Company | LINDSAY INTL | | Olives | $0 | $0 | $0 | $40,000 | $29,913 | $46,000 | $15,000 | $60,000 |
| U.S. Company | MAGIC VALLEY FOODS | | Dehydrated potatoes | $0 | $0 | $0 | $0 | $0 | $8,000 | $4,000 | $12,000 |
| U.S. Company | MAYFAIR CORP | | Cherries | $0 | $0 | $0 | $100,000 | $7,122 | $0 | $25,000 | $25,000 |
| U.S. Company | MONTANA NATURALS INTL | | Food Supplements | $11,309 | $36,024 | $10,000 | $80,000 | $53,000 | $88,000 | $32,000 | $120,000 |
| U.S. Company | MRS. FIELDS COOKIES | | Cookies/muffins | $0 | $0 | $0 | $0 | $0 | $0 | $100,000 | $100,000 |
| U.S. Company | NALLEYS FINE FOOD | | Snack foods | $0 | $0 | $0 | $0 | $0 | $39,000 | $13,000 | $52,000 |
| U.S. Company | NALLEYS FINS FOODS | | Snack Foods | $30,000 | $1,998 | $0 | -$30,000 | $31,000 | $0 | $0 | $0 |
| U.S. Company | NISSIN FOODS USA | | Dried noodles/soups | $0 | $0 | $0 | $0 | $0 | $115,000 | $200,000 | $315,000 |
| U.S. Company | NM WINERIES | | Wine | $0 | $0 | $0 | $50,000 | $2,722 | $25,000 | $8,000 | $33,000 |
| U.S. Company | NORPAC FOOD SALES | | Frozen/Canned Vegs. | $30,000 | $27,393 | $0 | $100,000 | $6,407 | $30,000 | $13,000 | $43,000 |
| U.S. Company | NW CAJUN FOODS | | Cajun seasonings | $0 | $0 | $0 | $0 | $0 | $0 | $2,000 | $2,000 |
| U.S. Company | OR CHERRY GROWERS | | Cherries | $0 | $0 | $0 | $4,000 | $0 | $0 | $4,000 | $4,000 |
| U.S. Company | OR FREEZE DRY | | Frozen meats/seafood/fruits/vegs. | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | OR TRADING POST | | Sauces/Seafood Products | $6,298 | $0 | $0 | $50,000 | $0 | $0 | $0 | $0 |
| U.S. Company | OTIS MCALLISTER | | yogurt | $0 | $0 | $0 | $0 | $0 | $68,000 | $20,000 | $88,000 |
| U.S. Company | PAC RIM MEAT | | Frozen Chicken/Fruits/Vegs. | $0 | $0 | $0 | $20,000 | $0 | $0 | $0 | $0 |
| U.S. Company | PACIFIC SALES | | Juices/Meats | $0 | $0 | $0 | $0 | $0 | $0 | $26,000 | $26,000 |
| U.S. Company | PERSEUS GOURMET | | Vinegars/Dried Herbs | $441 | $0 | $0 | $10,000 | $2,589 | $0 | $0 | $0 |
| U.S. Company | PINTER CELLARS | | Wine | $0 | $0 | $0 | $0 | $0 | $0 | $4,000 | $4,000 |
| U.S. Company | POPPERS SUPPLY | | Popcorn | $0 | $0 | $0 | $16,000 | $2,517 | $16,000 | $6,000 | $20,000 |
| U.S. Company | RALSTON PURINA | | Pet Food | $0 | $0 | $18,960 | $180,000 | $195,000 | $115,000 | $200,000 | $315,000 |
| U.S. Company | RANGEN | | Aquaculture feeds | $0 | $0 | $0 | $0 | $13,000 | $0 | $40,000 | $40,000 |
| U.S. Company | ROMAN MEAL | | Baked Products | $0 | $50,000 | $26,000 | $60,000 | $58,000 | $115,000 | $75,000 | $190,000 |
| U.S. Company | ROSE CREEK VINE | | Wine | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | ROUNDHOUSE CORP. | | Popcorn | $0 | $0 | $0 | $0 | $0 | $10,000 | $3,000 | $13,000 |
| U.S. Company | STAHMANN FARMS | | Pecans | $2,383 | $40,000 | $26,148 | $100,000 | $24,639 | $0 | $0 | $0 |
| U.S. Company | STATON HILLS | | Wine/Cider | $14,938 | $35,000 | $7,226 | $50,000 | $6,947 | $41,000 | $9,000 | $50,000 |
| U.S. Company | STE CHAPELLE | | Wine | $0 | $0 | $0 | $0 | $0 | $0 | $5,000 | $5,000 |
| U.S. Company | STEIN PRODUCE | | Pickles/Peppers/Relishes | $0 | $0 | $0 | $20,000 | $0 | $0 | $0 | $0 |
| U.S. Company | STEINFELDS PRODUCTS CO. | | Pickles/peppers/relishes | $0 | $0 | $0 | $0 | $8,850 | $20,000 | $7,000 | $27,000 |
| U.S. Company | STEWART VINEYARDS | | Wine | $0 | $0 | $0 | $0 | $0 | $0 | $13,000 | $13,000 |
| U.S. Company | STIMSON LANE | | Wine | $1,173 | $15,205 | $205 | $20,000 | $15,920 | $50,000 | $13,000 | $63,000 |
| U.S. Company | SUNGLO | | Froz. Baked Potatoes | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | SUPER VALUE INTERNATIONAL | | Canned fruits/snacks | $0 | $0 | $0 | $0 | $0 | $0 | $26,000 | $26,000 |
| U.S. Company | SYMMS FRUIT RANCH | | Apples | $0 | $0 | $0 | $0 | $0 | $0 | $10,000 | $10,000 |
| U.S. Company | TAGARIS WINERY | | Wine | $0 | $0 | $0 | $0 | $13,207 | $16,000 | $10,000 | $26,000 |
| U.S. Company | TRADTIONAL MED | | Herbal Tea | $0 | $0 | $0 | $25,000 | $13,721 | $0 | $0 | $0 |
| U.S. Company | TRAPPER CREEK FISHERIES | | Smoked fish/Game meat | $0 | $0 | $0 | $0 | $0 | $7,000 | $3,000 | $10,000 |
| U.S. Company | TREE TOP INC | | Apple juice | $37,430 | $60,000 | $88,900 | $180,000 | $195,000 | $115,000 | $135,000 | $250,000 |
| U.S. Company | TRI-VALLEY GROWERS | | Tomato/Veg. juices | $0 | $0 | $0 | $0 | $25,937 | $0 | $0 | $0 |
| U.S. Company | UMPQUA UNLTD | | Dairy Products | $699 | $0 | $578 | $3,000 | $0 | $1,000 | $1,000 | $2,000 |
| U.S. Company | UNIVERSAL FROZ. FOODS | | Froz. Potato Products | $0 | $0 | $0 | $0 | $0 | $0 | $90,000 | $90,000 |
| U.S. Company | WA ASPARGUS | | Asparagus | $7,500 | $7,100 | $0 | $7,500 | $0 | $0 | $0 | $0 |
| U.S. Company | WA FISH GROWER | | Fish | $0 | $0 | $0 | $30,000 | $0 | $0 | $0 | $0 |
| U.S. Company | WARD'S CHEESE | | Cheese | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | WELCHS | | Non-grape Products (Juice/Cocktails | $0 | $0 | $0 | $180,000 | $195,000 | $115,000 | $157,700 | $272,700 |
| U.S. Company | WYOMING IMPORT/EXPORT LIMITED | | Processed Honey & Combs | $0 | $0 | $0 | $0 | $95,000 | $0 | $0 | $0 |
| U.S. Company | ZONONTIAN/SONS | | Rice | $0 | $0 | $0 | $18,500 | $0 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

ALASKA SEAFOOD MARKETING INT.
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Companies | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 7 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 7 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| ALASKA SEAFOOD MARKETING INT. | | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|
| Foreign Brand | Back Smith | $0 | $0 | $0 | $0 | $0 | $0 | $24,500 | $24,500 |
| Foreign Brand | CO-OP Wholesale Societies | $0 | $0 | $0 | $0 | $0 | $0 | $187,180 | $187,180 |
| Foreign Brand | Haigh Castle | $0 | $0 | $0 | $0 | $0 | $0 | $31,500 | $31,500 |
| Foreign Brand | John West Foods | $0 | $0 | $0 | $0 | $0 | $200,100 | $1,800,000 | $1,800,100 |
| Foreign Brand | Princess Foods | $0 | $0 | $0 | $0 | $0 | $0 | $250,000 | $250,000 |
| Foreign Brand | Safeway | $0 | $0 | $0 | $0 | $0 | $0 | $121,200 | $121,200 |
| Foreign Brand | Sainsbury | $0 | $0 | $0 | $0 | $0 | $0 | $45,855 | $45,855 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| NATL ASSN. OF ANIMAL BREEDERS Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 11 | | $0 | $0 | $0 | $101,000 | $168,500 | $0 | $292,878 | $292,878 |
| | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 11 | | $0 | $0 | $0 | $101,000 | $168,500 | $0 | $292,878 | $292,878 |

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|---|---|---|---|---|---|---|---|---|---|---|
| NATL ASSN. OF ANIMAL BREEDERS | | | | | | | | | | |
| U.S. Company | 21st Century Genetics | | $0 | $0 | $0 | $4,000 | $7,000 | $0 | $62,000 | $62,000 |
| U.S. Company | American Breeders Service | | $0 | $0 | $0 | $26,000 | $24,923 | $0 | $33,223 | $33,223 |
| U.S. Company | American Serapol Limited, Inc. | | $0 | $0 | $0 | $0 | $0 | $0 | $2,000 | $2,000 |
| U.S. Company | Cow Creek Ranch | | $0 | $0 | $0 | $1,000 | $1,000 | $0 | $0 | $0 |
| U.S. Company | Federated genetics | | $0 | $0 | $0 | $11,000 | $65,000 | $0 | $18,000 | $18,000 |
| U.S. Company | Golden Link, Inc. | | $0 | $0 | $0 | $0 | $0 | $0 | $2,000 | $2,000 |
| U.S. Company | Landmark Genetics | | $0 | $0 | $0 | $0 | $11,000 | $0 | $26,000 | $26,000 |
| U.S. Company | Select Sires | | $0 | $0 | $0 | $7,000 | $10,227 | $0 | $10,655 | $10,655 |
| U.S. Company | Sire Power | | $0 | $0 | $0 | $8,000 | $7,000 | $0 | $73,000 | $73,000 |
| U.S. Company | Tri-State Powers | | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 | $0 |
| U.S. Company | World Wide Sires, Inc. | | $0 | $0 | $0 | $41,000 | $42,350 | $0 | $66,000 | $66,000 |
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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| U.S. MEAT EXPORT FEDERATION Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 63 | | $0 | $0 | $0 | $1,494,342 | $1,895,321 | $459,200 | $637,985 | $1,097,185 |
| | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 63 | | $0 | $0 | $0 | $1,494,342 | $1,895,321 | $459,200 | $637,985 | $1,097,185 |

| U.S. MEAT EXPORT FEDERATION | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Allen Associates | $0 | $0 | $0 | $0 | $26,000 | $0 | $0 | $0 |
| U.S. Company | Ambassador Meats | $0 | $0 | $0 | $0 | $4,750 | $0 | $0 | $0 |
| U.S. Company | American Foods | $0 | $0 | $0 | $0 | $47,350 | $30,000 | $50,000 | $80,000 |
| U.S. Company | Beatrice | $0 | $0 | $0 | $87,327 | $70,000 | $5,000 | $50,500 | $55,500 |
| U.S. Company | Bellinger Association | $0 | $0 | $0 | $183,750 | $150,000 | $30,000 | $30,000 | $60,000 |
| U.S. Company | Brinco | $0 | $0 | $0 | $96,150 | $1,950 | $0 | $0 | $0 |
| U.S. Company | Bruss | $0 | $0 | $0 | $0 | $99,950 | $2,200 | $10,000 | $12,200 |
| U.S. Company | Cady Management | $0 | $0 | $0 | $0 | $55,000 | $0 | $0 | $0 |
| U.S. Company | Carl Buddig | $0 | $0 | $0 | $14,500 | $0 | $0 | $0 | $0 |
| U.S. Company | Certified Angus Beef | $0 | $0 | $0 | $2,700 | $0 | $0 | $3,725 | $3,725 |
| U.S. Company | Colonial | $0 | $0 | $0 | $114,575 | $131,000 | $30,000 | $5,000 | $35,000 |
| U.S. Company | Conagra | $0 | $0 | $0 | $0 | $0 | $10,000 | $0 | $10,000 |
| U.S. Company | Consolidated Beef | $0 | $0 | $0 | $124,106 | $0 | $0 | $0 | $0 |
| U.S. Company | Cornland | $0 | $0 | $0 | $0 | $0 | $5,000 | $0 | $5,000 |
| U.S. Company | Dallas Crown | $0 | $0 | $0 | $0 | $77,600 | $0 | $50,000 | $50,000 |
| U.S. Company | DPM | $0 | $0 | $0 | $13,450 | $9,780 | $0 | $0 | $0 |
| U.S. Company | Ellicon | $0 | $0 | $0 | $0 | $8,000 | $0 | $0 | $0 |
| U.S. Company | Excel | $0 | $0 | $0 | $37,500 | $47,500 | $0 | $22,600 | $22,500 |
| U.S. Company | E.A. Miller | $0 | $0 | $0 | $0 | $48,500 | $0 | $30,000 | $30,000 |
| U.S. Company | Farmland | $0 | $0 | $0 | $0 | $37,060 | $30,000 | $48,750 | $78,750 |
| U.S. Company | Frontier | $0 | $0 | $0 | $0 | $0 | $7,500 | $59,000 | $66,500 |
| U.S. Company | Gerber | $0 | $0 | $0 | $24,400 | $45,000 | $17,000 | $17,000 | $34,000 |
| U.S. Company | Goodmark | $0 | $0 | $0 | $95,000 | $100,000 | $35,000 | $0 | $35,000 |
| U.S. Company | Granada | $0 | $0 | $0 | $0 | $0 | $35,000 | $0 | $35,000 |
| U.S. Company | Gurrantz | $0 | $0 | $0 | $11,550 | $0 | $0 | $0 | $0 |
| U.S. Company | Harris Ranch | $0 | $0 | $0 | $0 | $17,700 | $20,000 | $17,350 | $37,350 |
| U.S. Company | Hormel | $0 | $0 | $0 | $52,180 | $100,000 | $30,000 | $15,000 | $45,000 |
| U.S. Company | Hyplains | $0 | $0 | $0 | $700 | $8,750 | $0 | $0 | $0 |
| U.S. Company | Jac Pac | $0 | $0 | $0 | $0 | $0 | $10,000 | $0 | $10,000 |
| U.S. Company | John Morrell | $0 | $0 | $0 | $58,250 | $82,500 | $10,000 | $0 | $10,000 |
| U.S. Company | J.R. Simplot | $0 | $0 | $0 | $0 | $23,525 | $0 | $0 | $0 |
| U.S. Company | Kraft General Foods | $0 | $0 | $0 | $0 | $0 | $0 | $100,000 | $100,000 |
| U.S. Company | K&N Foods | $0 | $0 | $0 | $0 | $11,650 | $0 | $0 | $0 |
| U.S. Company | Manning Beef | $0 | $0 | $0 | $200,450 | $96,200 | $0 | $0 | $0 |
| U.S. Company | Maverick | $0 | $0 | $0 | $0 | $20,000 | $0 | $10,000 | $10,000 |
| U.S. Company | Midamar | $0 | $0 | $0 | $0 | $6,150 | $0 | $0 | $0 |
| U.S. Company | Monfort | $0 | $0 | $0 | $90,000 | $75,000 | $30,000 | $0 | $30,000 |
| U.S. Company | Mountain Meadows | $0 | $0 | $0 | $24,500 | $0 | $0 | $0 | $0 |
| U.S. Company | Oscar Mayer | $0 | $0 | $0 | $22,325 | $12,000 | $35,000 | $0 | $35,000 |
| U.S. Company | Packerland | $0 | $0 | $0 | $9,075 | $0 | $0 | $0 | $0 |
| U.S. Company | Pierre Frozen Foods | $0 | $0 | $0 | $0 | $22,500 | $0 | $0 | $0 |
| U.S. Company | Provimi | $0 | $0 | $0 | $0 | $9,900 | $0 | $0 | $0 |
| U.S. Company | Ranchland | $0 | $0 | $0 | $0 | $15,230 | $0 | $0 | $0 |
| U.S. Company | Rich Meat | $0 | $0 | $0 | $0 | $2,000 | $3,500 | $0 | $3,500 |
| U.S. Company | Rose Packing | $0 | $0 | $0 | $0 | $22,175 | $10,000 | $0 | $10,000 |
| U.S. Company | Sam Hausman Meats | $0 | $0 | $0 | $0 | $0 | $0 | $585 | $585 |
| U.S. Company | Shasta Foods | $0 | $0 | $0 | $0 | $100,000 | $10,000 | $0 | $10,000 |
| U.S. Company | Shenson | $0 | $0 | $0 | $32,250 | $21,850 | $16,000 | $0 | $16,000 |
| U.S. Company | Skylark | $0 | $0 | $0 | $1,250 | $9,500 | $0 | $0 | $0 |
| U.S. Company | Smith Packing | $0 | $0 | $0 | $0 | $0 | $3,000 | $3,000 | $6,000 |
| U.S. Company | Southfield | $0 | $0 | $0 | $8,075 | $12,800 | $0 | $0 | $0 |
| U.S. Company | Stake Specialists | $0 | $0 | $0 | $0 | $0 | $15,000 | $0 | $15,000 |
| U.S. Company | Superior Foods | $0 | $0 | $0 | $12,500 | $15,250 | $0 | $0 | $0 |
| U.S. Company | Tama | $0 | $0 | $0 | $0 | $25,600 | $0 | $0 | $0 |
| U.S. Company | Taurus | $0 | $0 | $0 | $21,275 | $0 | $0 | $0 | $0 |
| U.S. Company | Tillamook | $0 | $0 | $0 | $0 | $2,000 | $0 | $0 | $0 |
| U.S. Company | Valleydale | $0 | $0 | $0 | $0 | $42,500 | $5,000 | $0 | $5,000 |
| U.S. Company | Vienna Beef | $0 | $0 | $0 | $84,100 | $118,230 | $15,000 | $90,000 | $105,000 |
| U.S. Company | VMI | $0 | $0 | $0 | $6,400 | $0 | $0 | $0 | $0 |
| U.S. Company | Washington Beef | $0 | $0 | $0 | $55,775 | $37,911 | $10,000 | $25,575 | $35,575 |
| U.S. Company | Wilson Foods | $0 | $0 | $0 | $11,850 | $0 | $0 | $0 | $0 |
| U.S. Company | Windsbros | $0 | $0 | $0 | $0 | $3,150 | $0 | $0 | $0 |

* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| U.S. Company | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Wyoming I/X | | | $0 | $0 | $0 | $0 | $22,000 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

U.S. MINK EXPORT DEVE. COUNCIL
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 8 | | $0 | $1,249,825 | $450,036 | $1,470,000 | $2,000,000 | $0 | $1,980,000 | $1,980,000 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 8 | | $0 | $1,249,825 | $450,036 | $1,470,000 | $2,000,000 | $0 | $1,980,000 | $1,980,000 |

| U.S. MINK EXPORT DEVE. COUNCIL | | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 TEA | 1991 MPP | 1991 MPP/TEA |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | American Legend | $0 | $0 | $0 | $823,000 | $1,120,000 | $0 | $1,168,000 | $1,168,000 |
| U.S. Company | American Legend/Seattle Fur Exh.-EIP | $0 | $699,998 | $100,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Hudson's Bay | $0 | $0 | $0 | $847,000 | $880,000 | $0 | $812,000 | $812,000 |
| U.S. Company | Hudson's Bay-EIP | $0 | $549,827 | $350,036 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Moyle Mink Farms-EIP | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Schumaker Fur Company-EIP | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

USA POULTRY AND EGG EXP. COUNCIL
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 28 | | $1,506,949 | $3,873,713 | $0 | $7,160,000 | $3,412,500 | $2,762,500 | $0 | $2,762,500 |
| U.S. Subsidiaries | 2 | | $0 | $0 | $0 | $210,000 | $585,000 | $570,000 | $0 | $370,000 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $210,000 | $585,000 | $570,000 | $0 | $570,000 |
| GRAND TOTAL | 30 | | $1,506,949 | $3,873,713 | $0 | $7,580,000 | $4,582,500 | $3,902,500 | $0 | $3,902,500 |

USA POULTRY AND EGG EXP. COUNCIL

| Brand Type | Company | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 TEA | 1991 MPP | 1991 MPP/TEA |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | AJC Inc. | $0 | $0 | $0 | $0 | $0 | $7,500 | $0 | $7,500 |
| U.S. Company | American Poultry Intl. | $0 | $0 | $0 | _$10,000 | $0 | $15,000 | $0 | $15,000 |
| U.S. Company | Avian Farms | $0 | $36,864 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Beatrice/Swift International | $0 | $0 | $0 | $0 | $75,000 | $157,500 | $0 | $157,500 |
| U.S. Company | Bil-Mar Foods | $0 | $37,500 | $0 | $60,000 | $45,000 | $60,000 | $0 | $60,000 |
| U.S. Company | B. Terfloth & Cie Inc. | $48,999 | $0 | $0 | $90,000 | $37,500 | $90,000 | $0 | $90,000 |
| U.S. Company | Cargill Inc. | $149,832 | $366,812 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Concord Farms | $68,576 | $150,000 | $0 | $160,000 | $15,000 | $0 | $0 | $0 |
| U.S. Company | Decoster Egg Farms | $0 | $112,500 | $0 | $150,000 | $142,500 | $240,000 | $0 | $340,000 |
| U.S. Company | El Jay | $0 | $74,882 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Empire Kosher Poultry Inc. | $0 | $0 | $0 | $20,000 | $15,000 | $22,500 | $0 | $22,500 |
| U.S. Company | Fast Foods Merchandisers | $0 | $0 | $0 | $0 | $0 | $22,500 | $0 | $22,500 |
| U.S. Company | Foster Farms | $0 | $0 | $0 | $0 | $52,500 | $90,000 | $0 | $90,000 |
| U.S. Company | Gold-Kist Inc. | $0 | $112,500 | $0 | $30,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Hidden Villa Ranch | $0 | $0 | $0 | $0 | $0 | $82,500 | $0 | $82,500 |
| U.S. Company | Jennie-O | $0 | $37,500 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Longmont Foods | $0 | $0 | $0 | $0 | $60,000 | $285,000 | $0 | $285,000 |
| U.S. Company | Maple Leaf Farms ID | $60,000 | $105,364 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | McCarthy Farms | $0 | $0 | $0 | $0 | $0 | $7,500 | $0 | $7,500 |
| U.S. Company | National Food Corporation | $0 | $201,037 | $0 | $430,000 | $315,000 | $0 | $0 | $0 |
| U.S. Company | Nissho Iwai American Corp. | $0 | $0 | $0 | $140,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Norbest Inc. | $50,000 | $112,500 | $0 | $160,000 | $97,500 | $15,000 | $0 | $15,000 |
| U.S. Company | Plantation Foods, Inc. | $0 | $0 | $0 | $0 | $22,500 | $75,000 | $0 | $75,000 |
| U.S. Company | Rocco Inc. | $0 | $150,000 | $0 | $200,000 | $232,500 | $22,500 | $0 | $22,500 |
| U.S. Company | Rockingham/Wampler-Longacre Chicken | $150,000 | $600,000 | $0 | $1,210,000 | $525,000 | $240,000 | $0 | $240,000 |
| U.S. Company | Servac International | $0 | $37,500 | $0 | $100,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Showell | $0 | $0 | $0 | $0 | $105,000 | $185,000 | $0 | $185,000 |
| U.S. Company | Tyson's Foods Inc. | $988,440 | $1,734,934 | $0 | $4,400,000 | $1,672,500 | $1,155,000 | $0 | $1,165,000 |
| U.S. Subsidiary | Burger King | $0 | $0 | $0 | $0 | $75,000 | $105,000 | $0 | $105,000 |
| U.S. Subsidiary | McDonalds Corp. | $0 | $0 | $0 | $210,000 | $510,000 | $465,000 | $0 | $465,000 |
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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

ALMOND EIP
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 19 | | $900,000 | $3,999,970 | $8,500,000 | $8,225,969 | $8,542,854 | $0 | $7,379,722 | $7,379,722 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 19 | | $900,000 | $3,999,970 | $8,500,000 | $8,225,969 | $8,542,854 | $0 | $7,379,722 | $7,379,722 |

ALMOND EIP

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|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Blue Diamond | $848,750 | $3,333,300 | $5,526,000 | $7,567,000 | $7,770,000 | $0 | $6,216,900 | $6,216,900 |
| U.S. Company | CA Grown Nut Co. | $0 | $0 | $0 | - $0 | $0 | $0 | $11,542 | $11,542 |
| U.S. Company | CA Independent Almond | $7,500 | $0 | $0 | $0 | $0 | $0 | $41,468 | $41,468 |
| U.S. Company | Cal-Almond | $0 | $3,000 | $0 | $50,000 | $57,700 | $0 | $71,430 | $71,430 |
| U.S. Company | Del Rio Nut | $0 | $0 | $0 | $0 | $10,720 | $0 | $0 | $0 |
| U.S. Company | Dole Dried Fruit | $0 | $0 | $0 | $0 | $0 | $0 | $489,720 | $489,720 |
| U.S. Company | Dole Nut Co. | $0 | $0 | $196,000 | $168,000 | $237,984 | $0 | $0 | $0 |
| U.S. Company | Durey Libby Edible Nuts | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Golden West Nuts | $0 | $0 | $100,000 | $58,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Hines-Pacific Assoc. | $0 | $165,000 | $250,000 | $300,000 | $300,000 | $0 | $413,400 | $413,400 |
| U.S. Company | Hughson Nut Marketing | $0 | $0 | $0 | $33,969 | $46,000 | $0 | $72,262 | $72,262 |
| U.S. Company | Mariani | $0 | $165,000 | $210,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Nicolaysen Farms | $13,750 | $43,670 | $33,000 | $8,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Ryan Pereira | $0 | $0 | $0 | $0 | $67,000 | $0 | $0 | $0 |
| U.S. Company | Saulsbury | $0 | $40,000 | $40,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | S.M. Wards | $0 | $0 | $143,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Tenneco West | $30,000 | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | The Triad Group | $0 | $0 | $0 | $0 | $50,250 | $0 | $63,000 | $63,000 |
| U.S. Company | T.M. Duche Nut | $0 | $200,000 | $0 | $0 | $0 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-6521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

CALIFORNIA PRUNE BOARD
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 9 | | $0 | $3,501,000 | $4,060,000 | $4,737,000 | $5,550,000 | $0 | $5,443,000 | $5,443,000 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 9 | | $0 | $3,501,000 | $4,060,000 | $4,737,000 | $5,550,000 | $0 | $5,443,000 | $5,443,000 |

| CALIFORNIA PRUNE BOARD | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Cal Prune Packing | $0 | $0 | $0 | $0 | $250,000 | $0 | $487,000 | $487,000 |
| U.S. Company | Del Monte Corp. | $0 | $0 | $0 | $14,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Dole Dried Fruit | $0 | $83,000 | $120,000 | $300,000 | $390,000 | $0 | $410,000 | $410,000 |
| U.S. Company | Mariani Packing | $0 | $400,000 | $400,000 | $400,000 | $552,000 | $0 | $460,000 | $460,000 |
| U.S. Company | Mayfair Packing | $0 | $294,000 | $350,000 | $460,000 | $338,000 | $0 | $0 | $0 |
| U.S. Company | Sunsweet Growers | $0 | $3,474,000 | $3,825,000 | $3,272,000 | $3,531,000 | $0 | $3,740,000 | $3,740,000 |
| U.S. Company | Tague Ranch Packing | $0 | $96,000 | $100,000 | $118,000 | $223,000 | $0 | $0 | $0 |
| U.S. Company | Thompson Pkg. & Handling | $0 | $0 | $35,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Valley View Packing | $0 | $178,000 | $230,000 | $156,000 | $296,000 | $0 | $348,000 | $348,000 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-6521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

CALIFORNIA RAISIN ADV. BOARD
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 13 | | $0 | $0 | $0 | $5,487,825 | $4,327,309 | $2,389,500 | $3,512,250 | $5,901,750 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 1 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 14 | | $0 | $0 | $0 | $5,487,825 | $4,327,309 | $2,389,500 | $3,512,250 | $5,901,750 |

CALIFORNIA RAISIN ADV. BOARD

| Brand Type | Company | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 TEA | 1991 MPP | 1991 MPP/TEA |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Caruthers | $0 | $0 | $0 | $56,250 | $0 | $0 | $0 | $0 |
| U.S. Company | Del Monte | $0 | $0 | $0 | $0 | $0 | $35,000 | $4,000 | $39,000 |
| U.S. Company | Del Rey | $0 | $0 | $0 | − $35,000 | $30,000 | $87,500 | $13,500 | $100,500 |
| U.S. Company | Dole | $0 | $0 | $0 | $1,445,825 | $662,118 | $479,500 | $320,000 | $799,500 |
| U.S. Company | Enoch | $0 | $0 | $0 | $127,500 | $44,311 | $122,500 | $32,000 | $154,500 |
| U.S. Company | Lion Packers | $0 | $0 | $0 | $0 | $0 | $80,500 | $35,750 | $116,250 |
| U.S. Company | Mariani | $0 | $0 | $0 | $40,000 | $36,801 | $0 | $0 | $0 |
| U.S. Company | National Raisin Co. | $0 | $0 | $0 | $607,750 | $234,043 | $346,500 | $172,000 | $318,500 |
| U.S. Company | Peloian Packing | $0 | $0 | $0 | $0 | $0 | $17,500 | $4,000 | $21,500 |
| U.S. Company | Sun-Maid | $0 | $0 | $0 | $2,680,750 | $3,018,762 | $833,000 | $2,822,500 | $3,655,500 |
| U.S. Company | Tague Ranch | $0 | $0 | $0 | $84,750 | $102,717 | $0 | $0 | $0 |
| U.S. Company | Victor Packing | $0 | $0 | $0 | $0 | $0 | $35,000 | $6,000 | $41,000 |
| U.S. Company | West Coast Packers | $0 | $0 | $0 | $400,000 | $176,866 | $332,500 | $103,000 | $435,500 |
| Foreign Brand | Bargas | $0 | $0 | $0 | $500,000 | $500,000 | $350,000 | $0 | $350,000 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

CALIFORNIA WALNUT COMMISSION
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 7 | | $1,824,208 | $1,795,310 | $411,849 | $148,000 | $140,000 | $0 | $250,000 | $250,000 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 6 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 13 | | $1,824,208 | $1,795,310 | $411,849 | $148,000 | $140,000 | $0 | $250,000 | $250,000 |

| Brand Type | Company | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|
| CALIFORNIA WALNUT COMMISSION | | | | | | | | | |
| U.S. Company | Diamond | $1,207,263 | $1,082,822 | $365,841 | $148,000 | $140,000 | $0 | $250,000 | $250,000 |
| U.S. Company | Frazier Nut Company | $0 | $104,180 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Guerra Nut Shelling | $0 | $23,011 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Happy Tree | $0 | $130,418 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Mariani Nut Company | $507,183 | $443,478 | $28,308 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Mayfair Packing | $110,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Mid Valley Nut Company | $0 | $1,702 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | | | | | | | | | $0 |
| Foreign Brand | Bergee | $448,776 | $465,000 | $461,665 | $628,000 | $685,000 | $0 | $600,000 | $600,000 |
| Foreign Brand | Cohesol | $0 | $0 | $0 | $300,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | C. Cardaellaria | $0 | $0 | $0 | $75,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Imporsco | $0 | $0 | $150,000 | $300,000 | $150,000 | $0 | $0 | $0 |
| Foreign Brand | Fiera Frutta | $0 | $135,843 | $150,000 | $210,000 | $0 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202) 720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

CITRUS EIP
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 10 | | $10,451,250 | $10,500,000 | $11,280,378 | $12,734,757 | $12,734,757 | $0 | $11,061,795 | $11,061,795 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 10 | | $10,451,250 | $10,500,000 | $11,280,378 | $12,734,757 | $12,734,757 | $0 | $11,061,795 | $11,061,795 |

CITRUS EIP

| | | | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | DiMare Co. | | $0 | $33,750 | $0 | $43,660 | $43,560 | $0 | $0 | $0 |
| U.S. Company | Dole Fresh Fruit Co. | | $795,000 | $1,125,000 | $1,172,500 | $1,527,866 | $1,527,866 | $0 | $991,200 | $991,200 |
| U.S. Company | Horizon Marketing | | $0 | $0 | $0 | -$30,000 | $30,000 | $0 | $60,939 | $60,939 |
| U.S. Company | Pandol Brothers | | $0 | $0 | $60,000 | $95,000 | $95,000 | $0 | $0 | $0 |
| U.S. Company | Riverbend | | $0 | $0 | $99,930 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Sequoia Enterprises | | $0 | $375,000 | $335,000 | $174,200 | $174,200 | $0 | $0 | $0 |
| U.S. Company | Sun Pacific | | $0 | $0 | $160,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Sun World Inc. | | $107,000 | $132,000 | $123,260 | $126,000 | $126,000 | $0 | $0 | $0 |
| U.S. Company | Sunkist Growers | | $9,549,250 | $8,834,250 | $9,234,688 | $10,738,139 | $10,738,139 | $0 | $9,999,856 | $9,999,856 |
| U.S. Company | Tri Citrus | | $0 | $0 | $20,100 | $0 | $0 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

CONCORD GRAPE EIP
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 2 | | $0 | $0 | $0 | $832,000 | $1,030,000 | $0 | $1,214,000 | $1,214,000 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 2 | | $0 | $0 | $0 | $832,000 | $1,030,000 | $0 | $1,214,000 | $1,214,000 |

| CONCORD GRAPE EIP | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Smuckers | $0 | $0 | $0 | $101,891 | $0 | $0 | $0 | $0 |
| U.S. Company | Welch's | $0 | $0 | $0 | $730,109 | $1,030,000 | $0 | $1,214,000 | $1,214,000 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202) 720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CORN EIP | U.S. Companies | 10 | | $0 | $1,500,000 | $110,500 | $1,250,000 | $1,250,000 | $0 | $3,212,000 | $3,212,000 |
| Brand Type | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 10 | | $0 | $1,500,000 | $110,500 | $1,250,000 | $1,250,000 | $0 | $3,212,000 | $3,212,000 |

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|---|---|---|---|---|---|---|---|---|---|
| CORN EIP | | | | | | | | | |
| U.S. Company | Agripac | $0 | $0 | $0 | $0 | $0 | $0 | $30,000 | $30,000 |
| U.S. Company | American Fine Foods | $0 | $0 | $0 | $0 | $0 | $0 | $63,200 | $63,200 |
| U.S. Company | Del Monte Foods | $0 | $0 | $12,500 | - $12,500 | $12,500 | $0 | $89,700 | $89,700 |
| U.S. Company | Friday Canning Corporation | $0 | $0 | $10,000 | $10,000 | $10,000 | $0 | $20,000 | $20,000 |
| U.S. Company | Intl American Supermarkets | $0 | $0 | $0 | $0 | $0 | $0 | $15,000 | $15,000 |
| U.S. Company | Monarch International | $0 | $17,000 | $30,000 | $30,000 | $30,000 | $0 | $0 | $0 |
| U.S. Company | Nestle | $0 | $12,500 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Norpac Food Sales | $0 | $7,500 | $58,000 | $58,000 | $58,000 | $0 | $48,250 | $48,250 |
| U.S. Company | Stokley USA | $0 | $2,500 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | The Pillsbury Company | $0 | $1,460,500 | $0 | $1,139,500 | $1,139,500 | $0 | $2,945,850 | $2,945,850 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202) 720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CRANBERRY EIP | U.S. Companies | 1 | | $0 | $0 | $0 | $0 | $0 | $0 | $1,000,000 | $1,000,000 |
| Brand Type | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 1 | | $0 | $0 | $0 | $0 | $0 | $0 | $1,000,000 | $1,000,000 |

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|---|---|---|---|---|---|---|---|---|---|---|
| CRANBERRY EIP | | | | | | | | | | |
| U.S. Company | Ocean Spray | $0 | $0 | $0 | $0 | $0 | $0 | $1,000,000 | $1,000,000 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| DATE EIP<br>Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 1 | | $0 | $0 | $0 | $0 | $0 | $0 | $250,000 | $250,000 |
| | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 1 | | $0 | $0 | $0 | $0 | $0 | $0 | $250,000 | $250,000 |

| DATE EIP | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Date Dried Fruit and Nut | $0 | $0 | $0 | $0 | $0 | $0 | $250,000 | $250,000 |
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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

FLORIDA DEPT. OF CITRUS
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 60 | | $0 | $434,500 | $380,783 | $470,800 | $118,892 | $348,888 | $0 | $348,888 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 60 | | $0 | $434,500 | $380,783 | $470,800 | $118,892 | $348,888 | $0 | $348,888 |

FLORIDA DEPT. OF CITRUS

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Agra Fresh | $0 | $0 | $0 | $9,586 | $0 | $0 | $0 | $0 |
| U.S. Company | Agrunord | $0 | $8,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Atlantic Fruit | $0 | $0 | $0 | $18,869 | $0 | $0 | $0 | $0 |
| U.S. Company | A. Duda | $0 | $0 | $0 | $0 | $0 | $8,862 | $0 | $8,862 |
| U.S. Company | A.V. Citrus Sales | $0 | $0 | $0 | $0 | $0 | $7,219 | $0 | $7,219 |
| U.S. Company | Benexo | $0 | $0 | $6,300 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Baron Trading Corp. | $0 | $0 | $0 | $23,625 | $0 | $12,375 | $0 | $12,375 |
| U.S. Company | Blampin | $0 | $0 | $2,520 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Brambi Fruit | $0 | $10,000 | $4,725 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Bratianta | $0 | $88,000 | $18,750 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Casino | $0 | $0 | $3,150 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Chiquita | $0 | $0 | $6,300 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Chiquita Tropical Products | $0 | $0 | $0 | $39,064 | $0 | $47,038 | $0 | $47,038 |
| U.S. Company | Citrus Company Sales, Inc. | $0 | $0 | $0 | $11,550 | $3,409 | $0 | $0 | $0 |
| U.S. Company | Citrus Country Sales | $0 | $0 | $0 | $0 | $0 | $9,075 | $0 | $9,075 |
| U.S. Company | Comafica | $0 | $7,000 | $6,300 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Compagna | $0 | $14,500 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | DNE Sales International | $0 | $0 | $0 | $90,557 | $85,828 | $96,568 | $0 | $96,588 |
| U.S. Company | Dole Citrus | $0 | $0 | $0 | $31,074 | $0 | $237 | $0 | $237 |
| U.S. Company | Dunand | $0 | $0 | $45,761 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Dunand & Cie | $0 | $60,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Georges Helfer | $0 | $75,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Golden Gem Growers | $0 | $0 | $0 | $0 | $0 | $5,775 | $0 | $5,775 |
| U.S. Company | Helfer | $0 | $0 | $50,400 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Honore Primeurs | $0 | $0 | $4,725 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | IMG | $0 | $0 | $50,400 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | IMG | $0 | $56,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | IMG Enterprise Inc. | $0 | $0 | $0 | $45,456 | $26,304 | $44,138 | $0 | $44,138 |
| U.S. Company | James N. Rubinstein | $0 | $0 | $0 | $16,078 | $0 | $0 | $0 | $0 |
| U.S. Company | Jockheers | $0 | $0 | $1,102 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | J.O. Sims | $0 | $0 | $1,575 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Kleh | $0 | $0 | $4,725 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Lewis Emmanuel | $0 | $9,000 | $9,450 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Maxim | $0 | $0 | $0 | $24,184 | $0 | $0 | $0 | $0 |
| U.S. Company | Mayrshon International | $0 | $0 | $0 | $13,850 | $0 | $10,725 | $0 | $10,725 |
| U.S. Company | Minton Sun | $0 | $0 | $0 | $5,540 | $0 | $0 | $0 | $0 |
| U.S. Company | Ocean Spray Cranberries, Inc. | $0 | $0 | $0 | $7,280 | $2,289 | $14,850 | $0 | $14,850 |
| U.S. Company | Orange Company | $0 | $0 | $0 | $3,729 | $0 | $0 | $0 | $0 |
| U.S. Company | Pan American Trade Dev. | $0 | $0 | $0 | $13,102 | $0 | $0 | $0 | $0 |
| U.S. Company | Plemy, Inc. | $0 | $0 | $0 | $7,225 | $652 | $1,454 | $0 | $1,454 |
| U.S. Company | Plassis | $0 | $0 | $9,450 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Pomona | $0 | $35,000 | $83,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Prevor Marketing | $0 | $0 | $0 | $10,654 | $0 | $16,500 | $0 | $16,500 |
| U.S. Company | P.H. Asyhaimer | $0 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Railey | $0 | $0 | $2,520 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | River Country | $0 | $0 | $0 | $7,103 | $0 | $0 | $0 | $0 |
| U.S. Company | Roland Lacour | $0 | $0 | $6,300 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Royal Fruit | $0 | $0 | $0 | $0 | $0 | $18,875 | $0 | $18,875 |
| U.S. Company | Rushton & Co., Inc. | $0 | $0 | $0 | $1,638 | $168 | $0 | $0 | $0 |
| U.S. Company | R.H. Asthaimer | $0 | $0 | $31,500 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Schreiber & Moll | $0 | $28,000 | $7,875 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Seald-Sweet Growers Inc. | $0 | $0 | $0 | $76,707 | $18,422 | $29,126 | $0 | $29,126 |
| U.S. Company | S.A. Blampin | $0 | $16,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | S.A. Cofrana | $0 | $15,000 | $18,900 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | S.N.A.I.R. | $0 | $3,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Vandenbrink | $0 | $0 | $2,835 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Valleman & Tas | $0 | $32,000 | $25,200 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Vista Packing | $0 | $0 | $0 | $0 | $0 | $21,244 | $0 | $21,244 |
| U.S. Company | Vive Tiger | $0 | $0 | $0 | $0 | $0 | $1,299 | $0 | $1,299 |
| U.S. Company | Ziegler Corp., Justin Intl Corp. | $0 | $0 | $0 | $18,727 | $0 | $3,506 | $0 | $2,508 |
| | | | | | | | | | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

NATIONAL HONEY BOARD
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 4 | | $0 | $0 | $0 | $0 | $0 | $0 | $135,400 | $135,400 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 2 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 6 | | $0 | $0 | $0 | $0 | $0 | $0 | $135,400 | $135,400 |

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|---|---|---|---|---|---|---|---|---|---|
| NATIONAL HONEY BOARD | | | | | | | | | |
| U.S. Company | Dawes Hill Honey | $0 | $0 | $0 | $0 | $0 | $0 | $7,000 | $7,000 |
| U.S. Company | GVGP Corp. of Calif. | $0 | $0 | $0 | $0 | $0 | $0 | $40,000 | $40,000 |
| U.S. Company | Sioux Honey Association | $0 | $0 | $0 | $0 | $0 | $0 | $48,400 | $48,400 |
| U.S. Company | Supplies & Marketing hf | $0 | $0 | $0 | $0 | $0 | $0 | $40,000 | $40,000 |
| Foreign Brand | CGA Strindberg AB | $0 | $0 | $0 | $0 | $0 | $0 | $8,000 | $8,000 |
| Foreign Brand | Finnish Honey Products | $0 | $0 | $0 | $0 | $0 | $0 | $8,000 | $8,000 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202) 720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAT'L POTATO PROMOTION BOARD | U.S. Companies | 2 | | $0 | $0 | $0 | $0 | $8,700 | $0 | $72,800 | $72,800 |
| Brand Type | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 2 | | $0 | $0 | $0 | $0 | $8,700 | $0 | $72,800 | $72,800 |

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|---|---|---|---|---|---|---|---|---|---|---|
| NAT'L POTATO PROMOTION BOARD | | | | | | | | | | |
| U.S. Company | J.R. Simplot | $0 | $0 | $0 | $0 | $8,700 | $0 | $50,000 | $50,000 |
| U.S. Company | Lamb Weston | $0 | $0 | $0 | $0 | $0 | $0 | $22,800 | $22,800 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

PROCESSED TOMATO EIP
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 4 | | $0 | $0 | $0 | $0 | $0 | $0 | $600,000 | $600,000 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 4 | | $0 | $0 | $0 | $0 | $0 | $0 | $600,000 | $600,000 |

| PROCESSED TOMATO EIP | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Del Monte | $0 | $0 | $0 | $0 | $0 | $0 | $70,000 | $70,000 |
| U.S. Company | Hunt-Wesson | $0 | $0 | $0 | $0 | $0 | $0 | $236,750 | $235,750 |
| U.S. Company | Patino's | $0 | $0 | $0 | $0 | $0 | $0 | $14,250 | $14,250 |
| U.S. Company | Tri-Valley | $0 | $0 | $0 | $0 | $0 | $0 | $280,000 | $280,000 |
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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

WINE INSTITUTE
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 151 | | $0 | $814,800 | $1,202,700 | $4,801,250 | $5,011,900 | $95,350 | $10,138,984 | $10,234,334 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 151 | | $0 | $814,800 | $1,202,700 | $4,801,250 | $5,011,900 | $95,350 | $10,138,984 | $10,234,334 |

WINE INSTITUTE

| Brand Type | Branded Companies | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Acacia | $0 | $1,000 | $0 | $0 | | | | $0 |
| U.S. Company | Adler Fels | $0 | $0 | $0 | $3,000 | $8,000 | $0 | $26,000 | $26,000 |
| U.S. Company | Ahlgren | $0 | $0 | $0 | $0 | $0 | $0 | $2,100 | $2,100 |
| U.S. Company | Alexander Valley | $0 | $0 | $0 | $0 | $0 | $0 | $7,225 | $7,225 |
| U.S. Company | Almaden | $0 | $13,800 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Arciero | $0 | $0 | $0 | $0 | $0 | $0 | $2,500 | $2,500 |
| U.S. Company | Bargetto | $0 | $0 | $0 | $2,000 | $4,000 | $0 | $5,000 | $5,000 |
| U.S. Company | Belvedere | $0 | $0 | $10,000 | $18,000 | $15,000 | $0 | $13,000 | $13,000 |
| U.S. Company | Beringer | $0 | $13,800 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Bonny Doon | $0 | $0 | $0 | $0 | $0 | $0 | $1,150 | $1,150 |
| U.S. Company | Bouchaine | $0 | $0 | $0 | $0 | $0 | $0 | $10,100 | $15,100 |
| U.S. Company | Bronco | $0 | $13,800 | $40,000 | $300,000 | $115,250 | $0 | $82,050 | $82,050 |
| U.S. Company | Buehler | $0 | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 |
| U.S. Company | Buena Vista | $0 | $8,500 | $12,500 | $15,000 | $25,000 | $0 | $82,250 | $82,250 |
| U.S. Company | Bynum (Davis) | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Cakebread Cellars | $0 | $5,000 | $7,000 | $17,000 | $14,000 | $0 | $37,878 | $37,878 |
| U.S. Company | California Winery | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Caporale | $0 | $0 | $0 | $0 | $5,000 | $0 | $0 | $0 |
| U.S. Company | Carmenet | $0 | $1,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Carneros Creek | $0 | $0 | $0 | $0 | $0 | $0 | $4,750 | $4,750 |
| U.S. Company | Caymus | $0 | $5,000 | $7,000 | $0 | $5,000 | $0 | $0 | $0 |
| U.S. Company | Chalk Hill | $0 | $3,000 | $0 | $3,800 | $4,000 | $0 | $6,000 | $6,000 |
| U.S. Company | Chalone | $0 | $1,000 | $0 | $0 | $10,000 | $0 | $13,460 | $13,460 |
| U.S. Company | Chat de Baun | $0 | $0 | $0 | $1,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Chat St. Jean | $0 | $6,000 | $18,000 | $18,000 | $6,000 | $0 | $0 | $0 |
| U.S. Company | Chateau Diana | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Christian Brothers | $0 | $0 | $20,000 | $30,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Clos du Bois | $0 | $12,600 | $18,000 | $36,000 | $29,000 | $0 | $0 | $0 |
| U.S. Company | Clos du Val | $0 | $4,000 | $10,000 | $25,000 | $10,000 | $0 | $40,250 | $40,250 |
| U.S. Company | Clos Pegase | $0 | $0 | $0 | $3,000 | $7,500 | $0 | $11,000 | $11,000 |
| U.S. Company | Concannon | $0 | $0 | $0 | $14,000 | $30,000 | $0 | $18,625 | $18,625 |
| U.S. Company | Congress Springs | $0 | $0 | $0 | $1,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Copenhagen Cellars | $0 | $0 | $3,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Crichton Hall | $0 | $0 | $0 | $0 | $0 | $0 | $7,636 | $7,636 |
| U.S. Company | Cuvaison | $0 | $3,000 | $0 | $0 | $0 | $0 | $31,500 | $31,500 |
| U.S. Company | De Loach | $0 | $0 | $0 | $8,000 | $6,000 | $0 | $9,000 | $9,000 |
| U.S. Company | Delicato | $0 | $1,800 | $0 | $12,800 | $20,000 | $0 | $66,000 | $66,000 |
| U.S. Company | Domain Merion | $0 | $6,000 | $13,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Domaine Chandon | $0 | $13,000 | $18,000 | $20,000 | $20,000 | $0 | $26,000 | $26,000 |
| U.S. Company | Dauchaine | $0 | $0 | $0 | $0 | $0 | $10,100 | $0 | $10,100 |
| U.S. Company | Dry Creek | $0 | $4,000 | $3,800 | $6,000 | $6,000 | $0 | $30,625 | $30,625 |
| U.S. Company | East-Side | $0 | $0 | $0 | $15,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Edna Valley | $0 | $1,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Emilio Guglielmo Winery | $0 | $0 | $0 | $0 | $0 | $75,000 | $0 | $75,000 |
| U.S. Company | Far Niente | $0 | $0 | $0 | $0 | $0 | $0 | $25,300 | $25,300 |
| U.S. Company | Fetzer | $0 | $12,000 | $0 | $0 | $0 | $0 | $63,500 | $63,500 |
| U.S. Company | Firestone | $0 | $5,000 | $10,000 | $2,500 | $4,000 | $0 | $2,750 | $2,750 |
| U.S. Company | Flora Springs | $0 | $0 | $0 | $3,000 | $0 | $0 | $6,500 | $6,500 |
| U.S. Company | Foppiano | $0 | $0 | $0 | $15,000 | $15,000 | $0 | $33,000 | $33,000 |
| U.S. Company | Franciscan | $0 | $5,000 | $10,000 | $15,000 | $15,000 | $0 | $23,000 | $23,000 |
| U.S. Company | Freemark Abbey | $0 | $0 | $3,600 | $6,000 | $5,000 | $0 | $6,625 | $6,625 |
| U.S. Company | Gallo | $0 | $178,000 | $504,000 | $2,100,000 | $2,150,000 | $0 | $5,121,000 | $5,121,000 |
| U.S. Company | Gan Eden | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Geyser Peak | $0 | $0 | $0 | $18,000 | $20,000 | $0 | $18,000 | $18,000 |
| U.S. Company | Gibson | $0 | $8,000 | $10,000 | $18,000 | $10,000 | $0 | $0 | $0 |
| U.S. Company | Girard | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Giumarra | $0 | $0 | $0 | $0 | $140,000 | $0 | $32,075 | $32,075 |
| U.S. Company | Glen Ellen | $0 | $0 | $8,000 | $150,000 | $185,000 | $0 | $282,750 | $282,750 |
| U.S. Company | Grand Cru | $0 | $0 | $12,000 | $20,000 | $28,000 | $0 | $9,000 | $9,000 |
| U.S. Company | Grgich Hills | $0 | $1,500 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Guenoc | $0 | $0 | $0 | $0 | $0 | $0 | $18,575 | $18,575 |
| U.S. Company | Guglielmo | $0 | $0 | $8,000 | $10,000 | $20,000 | $0 | $75,000 | $75,000 |

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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | Guild | | | $0 | $19,000 | $28,000 | $50,000 | $60,000 | $0 | $130,000 | $130,000 |
| U.S. Company | Gundlach-Bundschu | | | $0 | $1,600 | $7,000 | $14,000 | $5,000 | $0 | $12,000 | $12,000 |
| U.S. Company | Hacienda | | | $0 | $0 | $0 | $0 | $5,000 | $0 | $9,361 | $9,361 |
| U.S. Company | Haywood | | | $0 | $0 | $0 | $3,000 | $6,000 | $0 | $0 | $0 |
| U.S. Company | Heitz | | | $0 | $8,000 | $7,000 | $400 | $1,600 | $0 | $2,800 | $2,800 |
| U.S. Company | Heublein | | | $0 | $0 | $0 | $455,000 | $510,000 | $0 | $781,390 | $781,390 |
| U.S. Company | Hidden Cellars | | | $0 | $0 | $0 | $3,000 | $5,000 | $0 | $10,000 | $10,000 |
| U.S. Company | Hill, William | | | $0 | $0 | $0 | $0 | $7,500 | $0 | $0 | $0 |
| U.S. Company | Iron Horse | | | $0 | $6,000 | $13,000 | - $7,100 | $8,250 | $0 | $8,500 | $8,500 |
| U.S. Company | Jekel | | | $0 | $5,500 | $10,000 | $20,000 | $29,000 | $0 | $0 | $0 |
| U.S. Company | Jordan | | | $0 | $0 | $0 | $8,000 | $8,000 | $0 | $10,931 | $10,931 |
| U.S. Company | Karly | | | $0 | $1,500 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Kendall-Jackson | | | $0 | $13,000 | $0 | $0 | $5,000 | $0 | $0 | $0 |
| U.S. Company | Kenwood | | | $0 | $0 | $7,000 | $12,000 | $8,000 | $0 | $0 | $0 |
| U.S. Company | Kistler | | | $0 | $0 | $0 | $0 | $0 | $0 | $1,000 | $1,000 |
| U.S. Company | Klein (Windsor) | | | $0 | $0 | $0 | $2,000 | $5,000 | $0 | $0 | $0 |
| U.S. Company | Korbel | | | $0 | $0 | $0 | $0 | $18,000 | $0 | $0 | $0 |
| U.S. Company | Kornell (Hanns) | | | $0 | $3,000 | $7,000 | $0 | $0 | $7,750 | $0 | $7,750 |
| U.S. Company | Kornell, Hanns | | | $0 | $0 | $0 | $0 | $0 | $0 | $7,750 | $7,750 |
| U.S. Company | La Crema Vinera | | | $0 | $0 | $0 | $0 | $0 | $0 | $125,000 | $125,000 |
| U.S. Company | Lambert Bridge | | | $0 | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 |
| U.S. Company | Laurel Glen | | | $0 | $0 | $0 | $3,000 | $5,000 | $0 | $8,750 | $8,750 |
| U.S. Company | Leeward | | | $0 | $0 | $0 | $2,000 | $4,000 | $0 | $15,000 | $15,000 |
| U.S. Company | Lohr, J. | | | $0 | $0 | $0 | $0 | $7,500 | $0 | $6,800 | $6,800 |
| U.S. Company | Lyeth | | | $0 | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 |
| U.S. Company | Mark West | | | $0 | $3,500 | $0 | $0 | $0 | $0 | $14,250 | $14,250 |
| U.S. Company | Martini | | | $0 | $3,000 | $6,000 | $0 | $18,000 | $0 | $8,000 | $8,000 |
| U.S. Company | Matanzas Creek | | | $0 | $0 | $0 | $0 | $0 | $0 | $13,700 | $13,700 |
| U.S. Company | Mcdowell Valley | | | $0 | $0 | $0 | $0 | $8,000 | $0 | $0 | $0 |
| U.S. Company | Merryvale | | | $0 | $0 | $0 | $0 | $3,000 | $0 | $10,000 | $10,000 |
| U.S. Company | Mirassou | | | $0 | $8,500 | $18,000 | $30,000 | $35,000 | $0 | $70,560 | $70,660 |
| U.S. Company | Mondavi | | | $0 | $47,000 | $56,000 | $110,000 | $120,000 | $0 | $83,500 | $83,500 |
| U.S. Company | Monticello | | | $0 | $5,000 | $10,000 | $17,500 | $15,000 | $0 | $0 | $0 |
| U.S. Company | Morris, J.W. | | | $0 | $0 | $3,000 | $10,000 | $15,000 | $0 | $10,000 | $10,000 |
| U.S. Company | Mountain View | | | $0 | $0 | $0 | $0 | $0 | $0 | $3,125 | $3,125 |
| U.S. Company | Newton | | | $0 | $0 | $0 | $3,000 | $6,000 | $0 | $15,900 | $15,900 |
| U.S. Company | Oak Ridge | | | $0 | $13,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Papagni | | | $0 | $0 | $12,000 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Parducci | | | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Parsons Creek | | | $0 | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 |
| U.S. Company | Pedroncelli | | | $0 | $0 | $3,000 | $3,800 | $3,600 | $0 | $0 | $0 |
| U.S. Company | Phelps, Joseph | | | $0 | $0 | $0 | $0 | $0 | $0 | $9,281 | $9,281 |
| U.S. Company | Pine Ridge | | | $0 | $2,000 | $6,000 | $7,600 | $15,000 | $0 | $13,175 | $13,175 |
| U.S. Company | Quady | | | $0 | $3,000 | $9,000 | $10,000 | $6,000 | $0 | $4,800 | $4,800 |
| U.S. Company | Ravenswood | | | $0 | $0 | $0 | $0 | $0 | $0 | $1,000 | $1,000 |
| U.S. Company | Raymond | | | $0 | $6,000 | $0 | $12,000 | $5,000 | $0 | $0 | $0 |
| U.S. Company | Renaissance | | | $0 | $0 | $0 | $0 | $5,000 | $0 | $8,000 | $8,000 |
| U.S. Company | Ridge | | | $0 | $7,600 | $12,000 | $18,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Round Hill | | | $0 | $3,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Rutherford Hill | | | $0 | $0 | $5,000 | $3,000 | $5,000 | $0 | $50,300 | $50,300 |
| U.S. Company | Sainsbury | | | $0 | $0 | $0 | $0 | $0 | $0 | $3,250 | $3,250 |
| U.S. Company | San Antonio | | | $0 | $0 | $0 | $0 | $3,000 | $0 | $4,000 | $4,000 |
| U.S. Company | Sanford | | | $0 | $0 | $0 | $3,000 | $2,500 | $0 | $0 | $0 |
| U.S. Company | Santa Barbara | | | $0 | $0 | $0 | $5,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Sattety | | | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Scharffenberger | | | $0 | $0 | $0 | $0 | $0 | $0 | $37,979 | $37,979 |
| U.S. Company | Schramsberg | | | $0 | $5,500 | $10,000 | $20,000 | $9,700 | $0 | $12,250 | $12,250 |
| U.S. Company | Schug | | | $0 | $0 | $0 | $10,000 | $12,500 | $0 | $20,000 | $20,000 |
| U.S. Company | Seagrams | | | $0 | $50,000 | $0 | $300,000 | $310,000 | $0 | $525,000 | $525,000 |
| U.S. Company | Sebastiani | | | $0 | $13,000 | $25,000 | $12,000 | $18,000 | $0 | $370,000 | $370,000 |
| U.S. Company | Seghesio | | | $0 | $3,000 | $8,000 | $18,000 | $20,000 | $0 | $36,000 | $36,000 |
| U.S. Company | Sequoia Grove | | | $0 | $0 | $0 | $0 | $5,000 | $0 | $0 | $0 |
| U.S. Company | Shafer | | | $0 | $3,000 | $6,000 | $7,600 | $5,000 | $2,500 | $0 | $2,500 |
| U.S. Company | Shafer | | | $0 | $0 | $0 | $7,500 | $5,000 | $0 | $2,500 | $2,500 |
| U.S. Company | Simi | | | $0 | $6,000 | $14,000 | $20,000 | $8,700 | $0 | $17,200 | $17,200 |
| U.S. Company | Sonoma-Cutrer | | | $0 | $2,600 | $5,000 | $18,000 | $5,600 | $0 | $2,600 | $2,600 |
| U.S. Company | Stag's Leap | | | $0 | $5,000 | $6,000 | $0 | $5,000 | $0 | $0 | $0 |
| U.S. Company | Stemmler, Robert | | | $0 | $0 | $0 | $0 | $3,000 | $0 | $3,250 | $3,250 |

* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5531.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Company | [illegible] | | | $0 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Stratford | | | $0 | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 |
| U.S. Company | St. Clement | | | $0 | $2,600 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | St. Francis | | | $0 | $0 | $0 | $7,100 | $10,000 | $0 | $0 | $0 |
| U.S. Company | St. Supery | | | $0 | $0 | $0 | $0 | $5,000 | $0 | $16,372 | $16,372 |
| U.S. Company | Sutter Home | | | $0 | $0 | $0 | $20,000 | $20,000 | $0 | $68,600 | $68,600 |
| U.S. Company | Swanson | | | $0 | $0 | $0 | $0 | $5,000 | $0 | $26,060 | $26,060 |
| U.S. Company | Sycamore Creek | | | $0 | $2,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Trefethen | | | $0 | $5,000 | $8,000 | _$13,200 | $12,000 | $0 | $23,000 | $23,000 |
| U.S. Company | Tribaut Devavry | | | $0 | $0 | $0 | $0 | $3,000 | $0 | $0 | $0 |
| U.S. Company | Valley of the Moon | | | $0 | $0 | $0 | $2,650 | $5,000 | $0 | $8,000 | $8,000 |
| U.S. Company | Vianes | | | $0 | $0 | $0 | $0 | $5,000 | $0 | $0 | $0 |
| U.S. Company | Vichon | | | $0 | $0 | $0 | $0 | $0 | $0 | $9,000 | $9,000 |
| U.S. Company | Vintners Int'l | | | $0 | $0 | $120,000 | $470,000 | $460,000 | $0 | $756,650 | $756,550 |
| U.S. Company | Weibel | | | $0 | $9,000 | $0 | $15,000 | $20,000 | $0 | $85,000 | $85,000 |
| U.S. Company | Wente | | | $0 | $18,600 | $20,000 | $50,000 | $75,000 | $0 | $116,000 | $116,000 |
| U.S. Company | Wheeler, William | | | $0 | $0 | $0 | $0 | $5,000 | $0 | $3,000 | $3,000 |
| U.S. Company | Windsor | | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | Wine Group | | | $0 | $0 | $0 | $20,000 | $25,000 | $0 | $125,000 | $125,000 |
| U.S. Company | Wine World | | | $0 | $0 | $22,000 | $45,000 | $30,000 | $0 | $115,747 | $115,747 |
| U.S. Company | Woltner Estates | | | $0 | $0 | $0 | $0 | $5,000 | $0 | $12,500 | $12,600 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| COTTON COUNCIL INTERNATIONAL Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Foreign Branded | 208 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | GRAND TOTAL | 208 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| COTTON COUNCIL INTERNATIONAL | | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|
| Foreign Brand | Absorba | $0 | $0 | $0 | $0 | $0 | $120,000 | $190,000 | $310,000 |
| Foreign Brand | Aichi Cotton Spinning | $0 | $3,771 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Aichibo | $0 | $0 | $0 | - $6,784 | $0 | $0 | $0 | $0 |
| Foreign Brand | Airu Nakago Co. | $0 | $758 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Albright & Wilson, Ltd. | $0 | $41,818 | $18,409 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Angie Co. | $0 | $0 | $7,417 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Arnold Palmer, Korea | $0 | $0 | $0 | $0 | $0 | $15,000 | $58,000 | $70,000 |
| Foreign Brand | All Corp | $0 | $41,263 | $32,182 | $80,000 | $202,331 | $120,000 | $120,000 | $240,000 |
| Foreign Brand | Babrya | $0 | $0 | $24,878 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Baeng Bae | $0 | $39,498 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Ball, Europe | $0 | $0 | $0 | $198,000 | $190,800 | $0 | $0 | $0 |
| Foreign Brand | Bang Bang, Korea | $0 | $0 | $0 | $0 | $28,571 | $10,000 | $50,000 | $60,000 |
| Foreign Brand | Benneton, Europe | $0 | $0 | $0 | $490,000 | $477,973 | $0 | $0 | $0 |
| Foreign Brand | Big John | $0 | $0 | $0 | $160,500 | $154,074 | $0 | $192,000 | $192,000 |
| Foreign Brand | Bobson | $0 | $18,870 | $7,565 | $0 | $288,841 | $0 | $648,000 | $648,000 |
| Foreign Brand | BoChang Sanges | $0 | $0 | $2,356 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Bontex, Taiwan | $0 | $0 | $0 | $80,000 | $89,102 | $0 | $0 | $0 |
| Foreign Brand | Brax, Germany | $0 | $0 | $0 | $0 | $0 | $120,000 | $242,500 | $362,800 |
| Foreign Brand | BYC Korea | $0 | $0 | $0 | $0 | $0 | $15,000 | $115,000 | $130,000 |
| Foreign Brand | B&X, Taiwan | $0 | $0 | $0 | $0 | $0 | $10,000 | $80,000 | $90,000 |
| Foreign Brand | Cegi | $0 | $100,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | CB, Taiwan | $0 | $0 | $0 | $0 | $0 | $6,000 | $25,000 | $30,000 |
| Foreign Brand | Champion, Europe | $0 | $0 | $0 | $0 | $110,000 | $472,000 | $0 | $472,000 |
| Foreign Brand | Chell Syn | $0 | $18,887 | $12,904 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Chipie, France | $0 | $0 | $0 | $0 | $0 | $69,000 | $185,000 | $250,000 |
| Foreign Brand | Chongbang, Korea | $0 | $9,114 | $14,692 | $734 | $0 | $0 | $0 | $0 |
| Foreign Brand | Choongnam, Korea | $0 | $12,808 | $8,577 | $4,336 | $0 | $0 | $0 | $0 |
| Foreign Brand | Chung Bo Photos | $0 | $0 | $70,002 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Closed | $0 | $0 | $0 | $0 | $0 | $65,000 | $335,000 | $400,000 |
| Foreign Brand | Cotonflor GIE | $0 | $100,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Cotton Club, Japan | $0 | $0 | $0 | $0 | $0 | $40,000 | $56,000 | $95,000 |
| Foreign Brand | Crimple Craft, Europe | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Crochetta | $0 | $50,109 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Crocodile, Japan | $0 | $0 | $0 | $0 | $0 | $45,000 | $245,000 | $290,000 |
| Foreign Brand | Dachyun | $0 | $0 | $12,834 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Daihan | $0 | $564 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Daiwabo, Japan | $0 | $248 | $0 | $8,400 | $134,820 | $0 | $0 | $0 |
| Foreign Brand | Daruma, Japan | $0 | $0 | $0 | $0 | $0 | $25,000 | $25,000 | $50,000 |
| Foreign Brand | Devenlay | $0 | $67,998 | $97,921 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | DeWitte Lietaer | $0 | $11,250 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Dianong, Korea | $0 | $25,593 | $7,923 | $10,072 | $0 | $0 | $0 | $0 |
| Foreign Brand | Dierig | $0 | $0 | $0 | $0 | $0 | $250,000 | $0 | $250,000 |
| Foreign Brand | Dierig, Europe | $0 | $0 | $0 | $0 | $368,592 | $0 | $0 | $0 |
| Foreign Brand | Dim | $0 | $0 | $0 | $0 | $14,884 | $737 | $0 | $737 |
| Foreign Brand | Dongil | $0 | $0 | $32,366 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Dongil, Korea | $0 | $13,592 | $0 | $4,456 | $0 | $0 | $0 | $0 |
| Foreign Brand | Dongo | $0 | $0 | $6,785 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Dox Limited | $0 | $18,679 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Dreaming T | $0 | $32,148 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Edwin, Korea | $0 | $13,804 | $0 | $0 | $0 | $0 | $30,000 | $30,000 |
| Foreign Brand | Ellolone | $0 | $0 | $0 | $271,800 | $0 | $0 | $0 | $0 |
| Foreign Brand | Escitto, Europe | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Familiar | $0 | $98,093 | $184,820 | $24,900 | $78,923 | $80,000 | $100,000 | $180,000 |
| Foreign Brand | Far Eastern, Taiwan | $0 | $0 | $50,000 | $80,000 | $187,029 | $15,000 | $125,000 | $140,000 |
| Foreign Brand | Fashion Garment, Taiwan | $0 | $0 | $0 | $80,000 | $169,208 | $0 | $0 | $0 |
| Foreign Brand | Favour Garment | $0 | $0 | $0 | $0 | $70,535 | $0 | $0 | $0 |
| Foreign Brand | Fermaux | $0 | $43,372 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Fruit of the Loom | $0 | $0 | $0 | $0 | $1,033,210 | $237,263 | $344,737 | $582,000 |
| Foreign Brand | Fuji Spinning Co., Ltd. | $0 | $70,403 | $47,056 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Fujibo | $0 | $30,706 | $0 | $4,138 | $0 | $0 | $0 | $0 |
| Foreign Brand | Fukusuke Corp. | $0 | $15,870 | $8,945 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Fusen-Usagi Corp. | $0 | $7,702 | $2,030 | $0 | $0 | $0 | $0 | $0 |

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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign Brand | Gant Japan Co. | | | $0 | $9,878 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Gaytogs, Inc. | | | $0 | $0 | $22,336 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Gum Gum, Japan | | | $0 | $0 | $3,265 | $0 | $0 | $0 | $15,000 | $15,000 |
| Foreign Brand | Gunze | | | $0 | $219,451 | $294,303 | $174,136 | $925,447 | $0 | $0 | $0 |
| Foreign Brand | Gunze Ltd PJ's | | | $0 | $12,266 | $9,970 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Habitat, UK | | | $0 | $0 | $0 | $0 | $0 | $0 | $150,000 | $150,000 |
| Foreign Brand | Hakata Izutsuya | | | $0 | $1,743 | $3,692 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Han Mi Towel | | | $0 | $0 | $14,000 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Hanes, Japan | | | $0 | $0 | $0 | $0 | $0 | $85,000 | $85,000 | $170,000 |
| Foreign Brand | Hang Ten, Korea | | | $0 | $0 | $0 | $0 | $0 | $10,000 | $50,000 | $60,000 |
| Foreign Brand | Hanjoo, Korea | | | $0 | $0 | $0 | $0 | $111,843 | $0 | $0 | $0 |
| Foreign Brand | Harrods Ltd | | | $0 | $0 | $10,211 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Hasetora Spinning Co. | | | $0 | $0 | $7,201 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Hayashi Co., Ltd. | | | $0 | $0 | $11,318 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Hirota Co., Ltd. | | | $0 | $0 | $4,442 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Hoe Jum | | | $0 | $59,466 | $61,874 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Hof | | | $0 | $36,023 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Hunt, Korea | | | $0 | $0 | $0 | $0 | $0 | $15,000 | $55,000 | $70,000 |
| Foreign Brand | IAM | | | $0 | $112,500 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | IBS, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $5,000 | $45,000 | $50,000 |
| Foreign Brand | Ilshin, Korea | | | $0 | $14,069 | $43,471 | $8,968 | $0 | $0 | $0 | $0 |
| Foreign Brand | ING, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $5,000 | $40,000 | $45,000 |
| Foreign Brand | Itex, Osaka | | | $0 | $0 | $0 | $29,600 | $0 | $0 | $0 | $0 |
| Foreign Brand | Iwatya | | | $0 | $8,586 | $8,671 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Jack Nicklaus, Korea | | | $0 | $0 | $0 | $0 | $0 | $10,000 | $60,000 | $70,000 |
| Foreign Brand | Jangbong, Korea | | | $0 | $0 | $0 | $48,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Jeou Fong | | | $0 | $0 | $0 | $0 | $50,656 | $0 | $0 | $0 |
| Foreign Brand | Jeou Fong, Taiwan | | | $0 | $0 | $0 | $40,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | JI, France | | | $0 | $0 | $0 | $0 | $0 | $110,000 | $382,500 | $492,500 |
| Foreign Brand | Jockey, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $10,000 | $65,000 | $75,000 |
| Foreign Brand | Jung Bang, Korea | | | $0 | $0 | $0 | $0 | $42,657 | $0 | $0 | $0 |
| Foreign Brand | J. Henry, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $5,000 | $15,000 | $20,000 |
| Foreign Brand | K Nishikaw, Japan | | | $0 | $0 | $0 | $0 | $0 | $0 | $13,000 | $13,000 |
| Foreign Brand | Kabul | | | $0 | $3,324 | $1,440 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kahara Shokufu Kaisha | | | $0 | $2,368 | $1,303 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kanebo | | | $0 | $4,264 | $5,246 | $2,648 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kanto, Takashimaya | | | $0 | $7,140 | $7,394 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kao Sha, Taiwan | | | $0 | $0 | $0 | $0 | $112,348 | $0 | $0 | $0 |
| Foreign Brand | Kao Sha, Taiwan | | | $0 | $0 | $0 | $100,000 | $112,348 | $0 | $0 | $0 |
| Foreign Brand | KataKura Industries | | | $0 | $4,421 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Katakurg Industries | | | $0 | $0 | $5,488 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kokura Tamaya | | | $0 | $4,045 | $4,540 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kondo Cotton Spinning Co. | | | $0 | $978 | $543 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kondobo | | | $0 | $0 | $0 | $8,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kowabo | | | $0 | $0 | $0 | $1,480 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kurabo, Japan | | | $0 | $30,706 | $34,273 | $9,540 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kuras Co., Ltd. | | | $0 | $1,435 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kurme Iwataya | | | $0 | $1,428 | $4,316 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kuruma Izutsuge | | | $0 | $2,694 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kyoto, Takashimaya | | | $0 | $7,068 | $6,977 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kyungbang | | | $0 | $0 | $48,777 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kyungbang Corner | | | $0 | $0 | $2,776 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Lauffenmuhle GmbB | | | $0 | $0 | $150,000 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Lee Jeans, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $80,000 | $50,000 | $130,000 |
| Foreign Brand | Legierex | | | $0 | $114,000 | $350,000 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Levi Strauss Japan | | | $0 | $13,005 | $19,969 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Little YG, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $40,000 | $40,000 | $80,000 |
| Foreign Brand | Lyle Scott, Korea | | | $0 | $0 | $0 | $0 | $0 | $10,000 | $20,000 | $30,000 |
| Foreign Brand | Manhattan, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $10,000 | $60,000 | $70,000 |
| Foreign Brand | Marks & Spencer | | | $0 | $0 | $207,686 | $0 | $155,000 | $0 | $0 | $0 |
| Foreign Brand | Maro Corp. | | | $0 | $0 | $9,668 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Martex, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $0 | $40,000 | $40,000 |
| Foreign Brand | Maruel Co. | | | $0 | $8,761 | $9,762 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Masetorabo | | | $0 | $0 | $0 | $698 | $0 | $0 | $0 | $0 |
| Foreign Brand | Marterbe | | | $0 | $0 | $33,158 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Miyakonojo Daimaru | | | $0 | $1,394 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Morado | | | $0 | $7,333 | $6,222 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Munsh | | | $0 | $0 | $0 | $0 | $23,764 | $35,000 | $0 | $35,000 |

* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720–5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign Brand | Nagano Tokyo Dept. Store | | | $0 | $1,341 | $1,854 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Nakamura Co., Ltd. | | | $0 | $0 | $7,258 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | New Man | | | $0 | $0 | $0 | $0 | $0 | $10,000 | $290,000 | $300,000 |
| Foreign Brand | Newtimer, Korea | | | $0 | $0 | $0 | $0 | $0 | $0 | $25,000 | $25,000 |
| Foreign Brand | Nikko Victor | | | $0 | $0 | $774 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Nishiten Sangyo, Japan | | | $0 | $0 | $0 | $0 | $0 | $0 | $28,000 | $28,000 |
| Foreign Brand | Nishikawa Sangyo Co. | | | $0 | $0 | $2,047 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Nisshinbo | | | $0 | $158,575 | $0 | $4,720 | $118,287 | $0 | $104,000 | $104,000 |
| Foreign Brand | Nitto Boeki | | | $0 | $2,564 | $2,804 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Nittobo | | | $0 | $0 | $0 | $2,860 | $0 | $0 | $0 | $0 |
| Foreign Brand | Ogi Wara Co., Ltd. | | | $0 | $0 | $10,606 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Okayama, Takashimaya | | | $0 | $9,035 | $8,754 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Omikenshi Co., Ltd | | | $0 | $753 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Omikashi | | | $0 | $0 | $818 | $2,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Omura Hamaya Co. | | | $0 | $874 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Osaka Nishikawa Co. | | | $0 | $3,190 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Osaka, Takashimaya | | | $0 | $0 | $15,755 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Pang Rim, Korea | | | $0 | $26,050 | $11,123 | $8,472 | $0 | $0 | $0 | $0 |
| Foreign Brand | Pintos | | | $0 | $15,866 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Pringal | | | $0 | $0 | $0 | $0 | $43,000 | $185,000 | $0 | $185,000 |
| Foreign Brand | Promen, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $10,000 | $110,000 | $120,000 |
| Foreign Brand | Rifle, Europe | | | $0 | $0 | $0 | $25,000 | $453,079 | $85,000 | $315,000 | $200,000 |
| Foreign Brand | Sakamoto Sogo Co. | | | $0 | $1,032 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Sam Do Mulsan | | | $0 | $62,869 | $61,428 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Samdo, Korea | | | $0 | $0 | $0 | $133,200 | $126,571 | $0 | $0 | $0 |
| Foreign Brand | Sami, Korea | | | $0 | $1,128 | $2,179 | $2,608 | $0 | $0 | $0 | $0 |
| Foreign Brand | Sanamt, Europe | | | $0 | $0 | $0 | $150,000 | $107,273 | $200,000 | $100,000 | $300,000 |
| Foreign Brand | Sarasa Asen | | | $0 | $3,177 | $1,860 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Season, Korea | | | $0 | $0 | $0 | $0 | $0 | $15,000 | $80,000 | $80,000 |
| Foreign Brand | Schiesser, Europe | | | $0 | $0 | $45,000 | $12,500 | $0 | $0 | $0 | $0 |
| Foreign Brand | Scholler | | | $0 | $0 | $45,000 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Seijn Senga | | | $0 | $0 | $14,081 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Senko Interior Inc. | | | $0 | $0 | $3,031 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Sergio Valente, Korea | | | $0 | $0 | $0 | $0 | $0 | $15,000 | $55,000 | $70,000 |
| Foreign Brand | Shikibo, Japan | | | $0 | $21,448 | $0 | $7,408 | $0 | $0 | $0 | $0 |
| Foreign Brand | Simple Life, Korea | | | $0 | $0 | $0 | $0 | $0 | $15,000 | $55,000 | $70,000 |
| Foreign Brand | Simpson Piccadilly | | | $0 | $0 | $80,190 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Sogo, Kisarazu | | | $0 | $0 | $1,210 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Sogo, Kobe | | | $0 | $12,740 | $14,436 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Ssang Bang | | | $0 | $41,007 | $36,579 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Ssangbang Wool, Korea | | | $0 | $0 | $0 | $0 | $165,714 | $0 | $0 | $0 |
| Foreign Brand | Stephanel | | | $0 | $0 | $0 | $0 | $0 | $387,000 | $0 | $387,000 |
| Foreign Brand | Sugaya, Japan | | | $0 | $31,773 | $18,666 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Sukwang, Korea | | | $0 | $0 | $0 | $0 | $42,967 | $0 | $0 | $0 |
| Foreign Brand | Sun Dry, Japan | | | $0 | $0 | $0 | $0 | $48,000 | $0 | $73,000 | $73,000 |
| Foreign Brand | Sundry | | | $0 | $0 | $0 | $17,960 | $46,154 | $0 | $0 | $0 |
| Foreign Brand | Supima–Nitsuchel, Japan | | | $0 | $0 | $0 | $0 | $60,000 | $0 | $0 | $0 |
| Foreign Brand | System, Korea | | | $0 | $0 | $0 | $0 | $0 | $0 | $48,000 | $48,000 |
| Foreign Brand | Taechang, Korea | | | $0 | $70,467 | $148,866 | $64,000 | $112,432 | $0 | $0 | $0 |
| Foreign Brand | Taido Living Fabrics | | | $0 | $30,718 | $40,848 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Takashimaya | | | $0 | $15,666 | $0 | $26,800 | $0 | $0 | $0 | $0 |
| Foreign Brand | Than, Korea | | | $0 | $3,949 | $6,128 | $3,618 | $0 | $0 | $0 | $0 |
| Foreign Brand | Toho Rayon | | | $0 | $0 | $44,660 | $6,752 | $0 | $0 | $0 | $0 |
| Foreign Brand | Tokyo, Takashimaya | | | $0 | $14,470 | $31,524 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Top Co., Ltd. | | | $0 | $9,819 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Toyobo, Japan | | | $0 | $18,332 | $3,987 | $183,344 | $84,815 | $0 | $280,000 | $280,000 |
| Foreign Brand | Try, Korea | | | $0 | $0 | $0 | $0 | $0 | $15,000 | $130,000 | $145,000 |
| Foreign Brand | Taurege | | | $0 | $6,038 | $6,288 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Tazu Kibo | | | $0 | $0 | $0 | $2,400 | $0 | $0 | $0 | $0 |
| Foreign Brand | T. Nicole, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $5,000 | $10,000 | $15,000 |
| Foreign Brand | Uchino Co., Ltd. | | | $0 | $148,666 | $172,141 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | UCO | | | $0 | $52,600 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Uni-Ace | | | $0 | $0 | $2,720 | $680 | $0 | $0 | $0 | $0 |
| Foreign Brand | Unitika, Japan | | | $0 | $9,630 | $8,623 | $2,720 | $0 | $0 | $0 | $0 |
| Foreign Brand | Uomo Regina | | | $0 | $0 | $35,560 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Upson | | | $0 | $15,294 | $15,677 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Vibmen, Korea | | | $0 | $0 | $0 | $0 | $0 | $100,000 | $30,000 | $130,000 |
| Foreign Brand | Wadatsu Co., Ltd. | | | $0 | $2,029 | $0 | $0 | $0 | $0 | $0 | $0 |

* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-8631.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign Brand | Wrangler, Japan | | | $0 | $35,371 | $29,834 | $183,100 | $269,641 | $280,000 | $840,000 | $1,120,000 |
| Foreign Brand | Yamato | | | $0 | $0 | $0 | $0 | $92,599 | $0 | $0 | $0 |
| Foreign Brand | YE Shuang, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $10,000 | $65,000 | $75,000 |
| Foreign Brand | YG Urban, Japan | | | $0 | $0 | $0 | $0 | $0 | $100,000 | $860,000 | $960,000 |
| Foreign Brand | YG, Taiwan | | | $0 | $0 | $0 | $0 | $0 | $25,000 | $25,000 | $50,000 |
| Foreign Brand | Yokomama, Takashimaya | | | $0 | $10,221 | $19,043 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Yokota | | | $0 | $0 | $0 | $0 | $30,769 | $0 | $0 | $0 |
| Foreign Brand | Yonge, Takashimaya | | | $0 | $0 | $1,142 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Youngram | | | $0 | $635 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Yuvele | | | $0 | $0 | $8,245 | $0 | $0 | $0 | $0 | $0 |

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Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| USA RICE COUNCIL Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 7 | | $0 | $95,233 | $111,410 | $621,198 | $668,953 | $60,240 | $525,350 | $585,590 |
| | U.S. Subsidiaries | 3 | | $0 | $432,240 | $527,151 | $793,019 | $835,800 | $285,000 | $428,000 | $713,000 |
| | Foreign Branded | 44 | | $0 | $432,240 | $527,151 | $793,019 | $835,800 | $285,000 | $428,000 | $713,000 |
| | GRAND TOTAL | 54 | | $0 | $959,713 | $1,165,712 | $2,207,236 | $2,340,553 | $630,240 | $1,381,350 | $2,011,590 |
| **USA RICE COUNCIL** | | | | | | | | | | | |
| U.S. Company | American Rice, Inc. | | | $0 | $0 | $0 | $198,985 | $222,041 | $60,240 | $250,850 | $310,690 |
| U.S. Company | California Garden Products | | | $0 | $0 | $0 | $50,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Comet American Marketing | | | $0 | $0 | $0 | -$140,478 | $88,400 | $0 | $40,000 | $40,000 |
| U.S. Subsidiary | Effemex (Uncle Ben's) | | | $0 | $32,400 | $13,404 | $49,019 | $35,000 | $75,000 | $128,000 | $203,000 |
| U.S. Company | Rice Growers Assn. of CA | | | $0 | $0 | $0 | $0 | $212,500 | $0 | $70,000 | $70,000 |
| U.S. Company | Riceland Foods | | | $0 | $42,000 | $61,600 | $217,796 | $161,137 | $0 | $144,700 | $144,700 |
| U.S. Company | Texas Rice | | | $0 | $5,533 | $5,408 | $0 | $0 | $0 | | $0 |
| U.S. Company | Uncle Ben's Inc. | | | $0 | $47,700 | $44,404 | $13,929 | $18,675 | $0 | $20,000 | $20,000 |
| U.S. Subsidiary | Master Foods (Uncle Ben's) | | | $0 | $349,840 | $480,500 | $692,000 | $775,600 | $210,000 | $300,000 | $510,000 |
| U.S. Subsidiary | Trofelkold (Uncle Ben's) | | | $0 | $50,000 | $53,247 | $55,000 | $25,000 | $0 | $0 | $0 |
| Foreign Brand | AB Juval | | | $0 | $0 | $12,284 | $29,930 | $55,000 | $30,000 | $0 | $30,000 |
| Foreign Brand | Akel Takstil | | | $0 | $0 | $198,036 | $369,443 | $700,000 | $0 | $150,000 | $150,000 |
| Foreign Brand | Appel | | | $0 | $0 | $0 | $0 | $10,000 | $10,000 | $0 | $10,000 |
| Foreign Brand | AS Nopal | | | $0 | $0 | $0 | $0 | $20,000 | $15,000 | $0 | $15,000 |
| Foreign Brand | Atlantic Co. | | | $0 | $0 | $0 | $5,462 | $0 | $0 | $0 | $0 |
| Foreign Brand | Bengt Undroth | | | $0 | $20,000 | $18,000 | $20,000 | $20,000 | $20,000 | $0 | $20,000 |
| Foreign Brand | Boost | | | $0 | $80,000 | $90,000 | $90,000 | $90,000 | $0 | $100,000 | $100,000 |
| Foreign Brand | Campbells | | | $0 | $0 | $0 | $20,000 | $28,000 | $0 | $0 | $0 |
| Foreign Brand | Carmelo Abreu & Sons | | | $0 | $0 | $3,206 | $3,504 | $10,000 | $3,000 | $0 | $3,000 |
| Foreign Brand | Carmen California | | | $0 | $0 | $0 | $100,000 | $619,857 | $0 | $0 | $0 |
| Foreign Brand | De Coen | | | $0 | $12,500 | $16,310 | $18,357 | $28,000 | $22,000 | $0 | $22,000 |
| Foreign Brand | Ekstra Co. | | | $0 | $0 | $0 | $0 | $0 | $0 | $170,000 | $170,000 |
| Foreign Brand | Euryza | | | $0 | $173,074 | $203,000 | $250,404 | $230,000 | $140,000 | $0 | $140,000 |
| Foreign Brand | Excelco | | | $0 | $0 | $0 | $0 | $75,000 | $0 | $195,000 | $195,000 |
| Foreign Brand | Friedrich Glatz | | | $0 | $0 | $4,600 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Frozen Quality | | | $0 | $29,604 | $21,135 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Grains Jamaica | | | $0 | $0 | $0 | $0 | $0 | $0 | $21,770 | $21,770 |
| Foreign Brand | Gulf Foods | | | $0 | $0 | $0 | $0 | $44,719 | $0 | $30,000 | $30,000 |
| Foreign Brand | Hag | | | $0 | $60,000 | $60,000 | $110,000 | $110,000 | $0 | $0 | $0 |
| Foreign Brand | Kelloggs, Germany | | | $0 | $34,824 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kraft GMBH | | | $0 | $0 | $0 | $38,628 | $40,000 | $23,000 | $0 | $23,000 |
| Foreign Brand | Kuner | | | $0 | $2,000 | $5,436 | $7,123 | $8,000 | $0 | $0 | $0 |
| Foreign Brand | Minerva | | | $0 | $11,000 | $22,000 | $40,000 | $28,000 | $15,000 | $0 | $15,000 |
| Foreign Brand | Moubarak International | | | $0 | $0 | $0 | $213,809 | $0 | $0 | $0 | $0 |
| Foreign Brand | Novia | | | $0 | $0 | $0 | $0 | $0 | $4,000 | $0 | $4,000 |
| Foreign Brand | Paquel | | | $0 | $25,160 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Rickmers | | | $0 | $0 | $8,867 | $14,468 | $40,000 | $25,000 | $0 | $25,000 |
| Foreign Brand | Roma | | | $0 | $0 | $7,825 | $15,145 | $0 | $10,000 | $0 | $10,000 |
| Foreign Brand | Skand. Kaffekomp | | | $0 | $0 | $10,487 | $21,714 | $10,000 | $0 | $0 | $0 |
| Foreign Brand | Soc. De Villa Franca | | | $0 | $0 | $0 | $5,174 | $0 | $0 | $0 | $0 |
| Foreign Brand | SOK | | | $0 | $0 | $2,866 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Spar | | | $0 | $9,609 | $0 | $0 | $8,600 | $5,000 | $0 | $5,000 |
| Foreign Brand | Stevens & Brotherton | | | $0 | $0 | $0 | $65,717 | $10,000 | $0 | $0 | $0 |
| Foreign Brand | Tilda | | | $0 | $80,000 | $155,610 | $230,000 | $305,000 | $200,000 | $150,000 | $350,000 |
| Foreign Brand | Torunier | | | $0 | $0 | $0 | $0 | $0 | $0 | $110,000 | $110,000 |
| Foreign Brand | Trofina | | | $0 | $13,000 | $18,400 | $17,600 | $22,000 | $15,000 | $0 | $15,000 |
| Foreign Brand | Tuku | | | $0 | $5,094 | $11,506 | $20,000 | $10,000 | $8,000 | $0 | $8,000 |
| Foreign Brand | Universe Foods | | | $0 | $7,726 | $4,383 | $9,339 | $14,200 | $10,000 | $0 | $10,000 |
| Foreign Brand | UTC | | | $0 | $0 | $0 | $0 | $27,666 | $0 | $0 | $0 |
| Foreign Brand | Valente Marques | | | $0 | $29,506 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Verde Valle | | | $0 | $0 | $0 | $0 | $0 | $0 | $134,500 | $134,500 |
| Foreign Brand | Yeni Pirinc | | | $0 | $0 | $0 | $0 | $75,000 | $0 | $0 | $0 |
| Foreign Brand | Yetis | | | $0 | $0 | $0 | $0 | $0 | $0 | $300,000 | $300,000 |
| Foreign Brand | Yuen Loong | | | $0 | $324,476 | $270,833 | $300,000 | $300,000 | $0 | $0 | $0 |
| | | | | | | | | | | | $0 |
| | | | | | | | | | | | $0 |
| | | | | | | | | | | | $0 |
| | | | | | | | | | | | $0 |
| | | | | | | | | | | | $0 |
| | | | | | | | | | | | $0 |
| | | | | | | | | | | | $0 |
| | | | | | | | | | | | $0 |

* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720–5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

AMERICAN SOYBEAN ASSOCIATION
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 44 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 44 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| Brand Type | Branded Companies | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|
| AMERICAN SOYBEAN ASSOCIATION | | | | | | | | | |
| Foreign Brand | Asda Stores, Ltd | $80,750 | $0 | $0 | $90,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | BLV | $0 | $0 | $0 | $0 | $0 | $1,000 | $0 | $1,000 |
| Foreign Brand | Braendle GmbH | $0 | $0 | $0 | $36,800 | $0 | $20,000 | $0 | $20,000 |
| Foreign Brand | B.E.O.C.O. | $0 | $0 | $0 | $45,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Chiari-Forti | $0 | $0 | $0 | $35,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Coop Wholesale Society | $0 | $0 | $32,000 | $45,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Copaz | $0 | $0 | $50,000 | $85,000 | $117,000 | $0 | $0 | $0 |
| Foreign Brand | Crivellaro | $645,000 | $0 | $500,000 | $413,500 | $0 | $0 | $0 | $0 |
| Foreign Brand | Deutsche Spar | $0 | $0 | $0 | $0 | $44,000 | $47,000 | $0 | $47,000 |
| Foreign Brand | Edeka | $0 | $0 | $0 | $0 | $0 | $1,000 | $0 | $1,000 |
| Foreign Brand | Ellers & Wheeler | $0 | $0 | $12,176 | $0 | $4,000 | $0 | $0 | $0 |
| Foreign Brand | E.B.E. | $0 | $0 | $0 | $70,000 | $262,000 | $0 | $0 | $0 |
| Foreign Brand | Fabricas Mendes Godinho | $0 | $0 | $24,200 | $84,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Fritz Homann Lebensmit | $0 | $0 | $0 | $45,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Grillmaster | $0 | $0 | $0 | $0 | $7,000 | $76,000 | $0 | $76,000 |
| Foreign Brand | Homann | $35,600 | $0 | $36,500 | $21,600 | $77,000 | $70,000 | $0 | $70,000 |
| Foreign Brand | Jomo | $0 | $0 | $0 | $0 | $0 | $5,000 | $0 | $5,000 |
| Foreign Brand | J. Sainsbury | $0 | $0 | $0 | $90,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | KORE B A | $125,000 | $0 | $16,658 | $290,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Kraft GmbH | $50,035 | $0 | $72,300 | $548,667 | $172,000 | $190,000 | $0 | $190,000 |
| Foreign Brand | Lesieur GmbH | $5,260 | $0 | $0 | $31,600 | $126,000 | $75,000 | $0 | $75,000 |
| Foreign Brand | Livat Joh. Nauen | $0 | $0 | $0 | $0 | $2,000 | $0 | $0 | $0 |
| Foreign Brand | Lupu | $0 | $0 | $0 | $0 | $0 | $1,000 | $0 | $1,000 |
| Foreign Brand | L&L Feinkost | $0 | $0 | $0 | $0 | $2,000 | $0 | $0 | $0 |
| Foreign Brand | Meistermarken-Werke | $44,753 | $0 | $0 | $1,210,767 | $94,000 | $60,000 | $0 | $60,000 |
| Foreign Brand | Metro | $0 | $0 | $0 | $0 | $8,000 | $0 | $0 | $0 |
| Foreign Brand | Meylip Nahrungsmittel | $0 | $0 | $0 | $41,600 | $51,000 | $126,000 | $0 | $126,000 |
| Foreign Brand | Otto Reichelt | $0 | $0 | $0 | $0 | $4,000 | $18,000 | $0 | $18,000 |
| Foreign Brand | Papoutsanis, B.A. | $0 | $0 | $0 | $100,000 | $257,000 | $0 | $0 | $0 |
| Foreign Brand | Pfannkuch | $0 | $0 | $0 | $0 | $1,000 | $0 | $0 | $0 |
| Foreign Brand | Rau | $0 | $0 | $23,600 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Rewe Zentrale | $0 | $0 | $0 | $98,267 | $0 | $2,000 | $0 | $2,000 |
| Foreign Brand | Rila Feinkost Importe | $0 | $0 | $0 | $8,000 | $12,000 | $0 | $0 | $0 |
| Foreign Brand | Safeway-Presto-Argyll | $282,481 | $0 | $18,680 | $90,000 | $8,000 | $0 | $0 | $0 |
| Foreign Brand | Selex | $0 | $0 | $0 | $0 | $28,000 | $0 | $0 | $0 |
| Foreign Brand | Selgros | $0 | $0 | $0 | $0 | $0 | $10,000 | $0 | $10,000 |
| Foreign Brand | Service-Bund | $0 | $0 | $0 | $0 | $15,000 | $15,000 | $0 | $15,000 |
| Foreign Brand | Bilbury | $0 | $0 | $0 | $0 | $49,000 | $0 | $0 | $0 |
| Foreign Brand | Soya Hellas | $125,000 | $0 | $16,858 | $0 | $347,000 | $0 | $0 | $0 |
| Foreign Brand | Soya Mills | $0 | $0 | $0 | $0 | $277,000 | $0 | $0 | $0 |
| Foreign Brand | Stroetmann | $0 | $0 | $0 | $0 | $1,000 | $1,000 | $0 | $1,000 |
| Foreign Brand | Tegol | $0 | $0 | $24,200 | $0 | $117,000 | $0 | $0 | $0 |
| Foreign Brand | Tesco stores | $0 | $0 | $12,177 | $90,000 | $16,000 | $0 | $0 | $0 |
| Foreign Brand | Walter Rau Lebensmittel | $0 | $0 | $0 | $16,000 | $0 | $0 | $0 | $0 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720-5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

| NATIONAL PEANUT COUNCIL Brand Type | Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Companies | 8 | | $0 | $307,000 | $866,000 | $549,500 | $660,000 | $218,652 | $0 | $218,652 |
| | U.S. Subsidiaries | 4 | | $0 | $835,200 | $415,000 | $400,000 | $660,000 | $200,000 | $175,000 | $375,000 |
| | Foreign Branded | 41 | | $0 | $835,200 | $415,000 | $400,000 | $660,000 | $200,000 | $175,000 | $375,000 |
| GRAND TOTAL | | 53 | | $0 | $1,877,400 | $1,696,000 | $1,349,500 | $1,980,000 | $618,652 | $350,000 | $968,652 |

| Brand Type | Branded Company | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|
| NATIONAL PEANUT COUNCIL | | | | | | | | | |
| U.S. Company | Algood | $0 | $16,000 | $50,000 | $50,000 | $23,500 | $0 | $0 | $0 |
| U.S. Company | Borden | $0 | $34,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Company | CPC | $0 | $249,000 | $736,000 | $337,000 | $470,000 | $162,600 | $0 | $162,500 |
| U.S. Company | Eagle | $0 | $0 | $60,000 | $62,500 | $136,500 | $54,152 | $0 | $54,152 |
| U.S. Company | Hunt–Wesson | $0 | $0 | $0 | $25,000 | $30,000 | $0 | $0 | $0 |
| U.S. Company | Peter Pan | $0 | $0 | $0 | $16,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Skippy | $0 | $0 | $0 | $40,000 | $0 | $0 | $0 | $0 |
| U.S. Company | Smuckers | $0 | $8,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Subsidiary | Benenuts (Sara Lee) | $0 | $0 | $0 | $0 | $300,000 | $100,000 | $100,000 | $200,000 |
| U.S. Subsidiary | Duyvis (Sara Lee) | $0 | $500,000 | $200,000 | $200,000 | $350,000 | $100,000 | $75,000 | $175,000 |
| U.S. Subsidiary | Nabisco (Pepsico) | $0 | $335,200 | $215,000 | $200,000 | $0 | $0 | $0 | $0 |
| U.S. Subsidiary | Seoul–Heinz | $0 | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 |
| Foreign Brand | Ahomer | $0 | $30,000 | $50,000 | $50,000 | $50,000 | $33,000 | $0 | $35,000 |
| Foreign Brand | Ana–L.A. Nut | $0 | $66,896 | $0 | $25,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Atlanta | $0 | $0 | $150,000 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Basamiri–Roddenbery's | $0 | $0 | $44,500 | $44,500 | $57,500 | $45,000 | $0 | $45,000 |
| Foreign Brand | Bestfood | $0 | $0 | $0 | $0 | $0 | $0 | $12,000 | $12,000 |
| Foreign Brand | Bocchi | $0 | $50,000 | $50,000 | $50,000 | $50,000 | $1,262 | $0 | $1,262 |
| Foreign Brand | Borges | $0 | $200,000 | $50,000 | $40,000 | $40,000 | $25,000 | $0 | $25,000 |
| Foreign Brand | Britannia Brands–Planters | $0 | $0 | $0 | $116,250 | $136,900 | $80,000 | $0 | $80,000 |
| Foreign Brand | Chips | $0 | $0 | $10,000 | $10,000 | $10,000 | $0 | $0 | $0 |
| Foreign Brand | Codaco | $0 | $0 | $0 | $0 | $10,000 | $0 | $0 | $0 |
| Foreign Brand | Croky | $0 | $0 | $0 | $150,000 | $50,000 | $0 | $0 | $0 |
| Foreign Brand | Danish Fancy Food | $0 | $0 | $0 | $0 | $50,000 | $25,000 | $0 | $25,000 |
| Foreign Brand | Dodwell–Peter Pan | $0 | $0 | $0 | $0 | $45,500 | $35,000 | $0 | $35,000 |
| Foreign Brand | Estrella | $0 | $50,000 | $100,000 | $75,000 | $75,000 | $25,000 | $0 | $25,000 |
| Foreign Brand | Fazer | $0 | $10,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Felix/Pittjes | $0 | $0 | $0 | $0 | $200,000 | $75,000 | $125,000 | $200,000 |
| Foreign Brand | Fruga | $0 | $0 | $0 | $100,000 | $85,000 | $50,000 | $0 | $50,000 |
| Foreign Brand | Gebla | $0 | $25,000 | $0 | $30,000 | $40,000 | $0 | $0 | $0 |
| Foreign Brand | Gica | $0 | $0 | $20,000 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Grefusa | $0 | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Huber | $0 | $0 | $20,000 | $20,000 | $20,000 | $25,000 | $0 | $25,000 |
| Foreign Brand | Hultsch | $0 | $0 | $90,000 | $40,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Importaco | $0 | $0 | $0 | $10,000 | $46,000 | $25,000 | $0 | $25,000 |
| Foreign Brand | Internut (Frusco) | $0 | $200,000 | $150,000 | $75,000 | $60,000 | $29,106 | $0 | $29,106 |
| Foreign Brand | Kelly | $0 | $50,000 | $70,000 | $30,000 | $50,000 | $0 | $0 | $0 |
| Foreign Brand | KP | $0 | $500,000 | $500,000 | $508,000 | $534,500 | $0 | $0 | $0 |
| Foreign Brand | Maarud | $0 | $25,000 | $50,000 | $30,000 | $30,000 | $25,000 | $0 | $25,000 |
| Foreign Brand | Mayolanda | $0 | $250,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | May–Werke | $0 | $0 | $100,000 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Menguy | $0 | $0 | $0 | $0 | $50,000 | $25,000 | $25,000 | $50,000 |
| Foreign Brand | Nestle | $0 | $0 | $0 | $0 | $0 | $0 | $250,000 | $250,000 |
| Foreign Brand | Orlando | $0 | $0 | $0 | $50,000 | $40,000 | $22,500 | $0 | $22,500 |
| Foreign Brand | Percy Dalton | $0 | $0 | $0 | $0 | $0 | $0 | $22,000 | $22,000 |
| Foreign Brand | Polly | $0 | $0 | $50,000 | $50,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Rowntree | $0 | $300,000 | $300,000 | $200,000 | $0 | $0 | $0 | $0 |
| Foreign Brand | Samip–Peter Pan | $0 | $0 | $0 | $0 | $0 | $50,000 | $0 | $50,000 |
| Foreign Brand | Scipio | $0 | $300,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Sun–Pat | $0 | $0 | $0 | $0 | $200,000 | $0 | $0 | $0 |
| Foreign Brand | Toyo–Seabrook Blanching | $0 | $0 | $166,240 | $200,000 | $250,000 | $200,000 | $0 | $200,000 |
| Foreign Brand | Vervy | $0 | $0 | $8,967 | $0 | $0 | $0 | $0 | $0 |
| Foreign Brand | Westimex | $0 | $100,000 | $150,000 | $40,000 | $0 | $25,000 | $0 | $25,000 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202)720–5521.

Market Promotion Program (MPP) / Targeted Export Assistance (TEA) Branded Programs

NATIONAL SUNFLOWER ASSN.
Brand Type

| Branded Companies | # of | Commodities Promoted | 1986 EXPENDITURES | 1987 EXPENDITURES | 1988 EXPENDITURES | 1989 BUDGETED | 1990 BUDGETED | 1991 TEA BUDGETED* | 1991 MPP BUDGETED* | 1991 MPP/TEA BUDGETED* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Companies | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| U.S. Subsidiaries | 0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Foreign Branded | 1 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| GRAND TOTAL | 1 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

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|---|---|---|---|---|---|---|---|---|---|---|
| NATIONAL SUNFLOWER ASSN. Foreign Brand | Honen | | $0 | $0 | $0 | $0 | $87,335 | $200,000 | $0 | $200,000 |
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* Prepared by Marketing Operations Staff (MOS), Foreign Agricultural Service. For further information contact MOS at (202) 720–5521.

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| OILSEEDS AND PRODUCTS | | | | |
| NATIONAL SUNFLOWER ASSOCIATION | | | | |
| | | U.S. COMPANIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | JAPAN | Honen | | $115,000.00 |
| | | | SUBTOTAL | $115,000.00 |
| | | | TOTAL BRANDED | $115,000.00 |

NATIONAL PEANUT COUNCIL

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| | U.S. COMPANIES | | |
| NJ | CPC | | $200,000.00 |
| Saudi Arabia | Borden | | $35,000.00 |
| GCC | Planters | | $95,000.00 |
| Korea | Hunt–Wesson | | $50,000.00 |
| | | SUBTOTAL | $380,000.00 |
| | U.S. SUBSIDIARIES | | |
| France | Duyvis (Sara Lee) | | $300,000.00 |
| Netherlands | Duyvis (Sara Lee) | | $300,000.00 |
| Germany | Budes (Eagle) | | $50,000.00 |
| Spain | Budes (Eagle) | | $75,000.00 |
| | | SUBTOTAL | $725,000.00 |
| | FOREIGN BRANDS | | |
| Denmark | Kims | | $50,000.00 |
| France | KP | | $25,000.00 |
| France | Menguy | | $75,000.00 |
| France | Bahlsen France | | $100,000.00 |
| France | Benoit | | $15,000.00 |
| Germany | Felix–Gourmet and Pittjes | | $250,000.00 |
| Germany | Bahlsen | | $200,000.00 |
| Gcc | Bestfood | | $50,000.00 |
| Hong Kong | Britannia Brands | | $25,000.00 |
| Japan | Fujiya | | $50,000.00 |
| Japan | Toyo Nut | | $100,000.00 |
| Netherlands | Orlando | | $25,000.00 |
| Norway | Maarud | | $35,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| NATIONAL PEANUT COUNCIL (CONT.) | | | | |
| | Saudi Arabia | Basamh-Roddenbery | | $50,000.00 |
| | Spain | Importaco | | $50,000.00 |
| | Sweden | Estrella | | $75,000.00 |
| | United Kingdom | Smiths (Pepsico) | | $200,000.00 |
| | United Kingdom | Sun-Pat (Nestle) | | $275,000.00 |
| | United Kingdom | KP | | $250,000.00 |
| | | | SUBTOTAL | $1,900,000.00 |
| | | | TOTAL BRANDED | $3,005,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|---|
| AGEXPORT SERVICES | | | |
| EASTERN U.S. AGRICULTURAL FOOD AND EXPORT COUNCIL | | | |
| | | U.S. COMPANIES | |
| | CT | Motts | $55,000.00 |
| | CT | Designs by David Glass | $10,000.00 |
| | MA | New England Natural Bakers | $11,500.00 |
| | MA | J.P. Sullivan | $50,000.00 |
| | NH | Biosan | $25,000.00 |
| | NJ | Burns and Ricker | $52,000.00 |
| | NJ | Alpine Lace | $25,000.00 |
| | NJ | Campbell Soup | $52,000.00 |
| | NJ | CPC/Best Foods | $42,000.00 |
| | NJ | RW Frookies | $51,500.00 |
| | NJ | Haagen-Dazs | $52,000.00 |
| | NJ | Internat'l American Supermarkets | $52,000.00 |
| | NJ | Pet, Inc. | $25,000.00 |
| | NJ | Reese Finer Foods | $25,000.00 |
| | NY | Adirondack Maple Company | $14,000.00 |
| | NY | Brooklyn Brewery | $18,000.00 |
| | NY | Export Trade of America | $25,000.00 |
| | NY | Five Star Apples | $20,000.00 |
| | NY | Global Export Marketing | $10,000.00 |
| | NY | Ontario International | $50,000.00 |
| | NY | Royal Kede Wines | $26,000.00 |
| | NY | Ralston Pu[illegible]a | $32,500.00 |
| | NY | United Apple Sales | $55,000.00 |
| | NY | The Wine Group | $25,000.00 |
| | NY | Rich Products | $32,500.00 |
| | PA | Bongrain Cheese | $25,000.00 |
| | PA | Capital Pet Foods | $28,000.00 |
| | PA | International Market Brands | $25,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| EUSAFEC (CONT.) | | | | |
| | PA | JDM Commodities | | $27,000.00 |
| | PA | Keystone Food Products | | $20,000.00 |
| | VT | Food 2000 | | $4,843.00 |
| | VT | Maple Grave Farms | | $7,500.00 |
| | VT | Miguels | | $2,550.00 |
| | | | SUBTOTAL | $975,893.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $975,893.00 |

WESTERN U.S. AGRICULTURAL TRADE ASSOCIATION

| STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|
| | U.S. COMPANIES | |
| WA | American Wine Trade | $85,000.00 |
| WA | Arbor Crest | $7,500.00 |
| OR | Aunt Patsy's | $2,000.00 |
| CA | Basic American Foods | $79,000.00 |
| CA | Basic Vegetable Products | $20,000.00 |
| CA | Bay Beverage | $79,000.00 |
| AZ | Black Mountain Brewing Co. | $5,000.00 |
| NM | Blue Sky Natural | $22,000 00 |
| CA | Boboli | $58,000.00 |
| NM | Bruce Foods | $79,000.00 |
| CA | Campbells Soup Company | $79,000.00 |
| CA | Casa De Fruta | $19,000.00 |
| WA | Cascadian Farm | $99,000.00 |
| OR | Chateau Benoit | $5,000.00 |
| CA | Chiquita Brand | $30,000.00 |
| WA | Chukar Cherry | $17,000.00 |
| WA | Circle Sea Seafoods | $27,250.00 |
| CO | Colorado Cellars | $13,000.00 |
| CO | Columbine Specialty | $75,000.00 |
| UT | Cookietree Bakeries | $68,000.00 |
| AZ | Country Estate Pecans | $48,000.00 |
| WA | Pacific Foods | $11,000.00 |
| AZ | Deprez Enterprises | $11,000.00 |
| NM | Domaine Cheurlin | $40,000.00 |
| CA | Dreyers Grand Ice Cream | $99,000.00 |
| CO | Duffy Co | $55,000.00 |
| CA | Earthrise Trading Co. | $20,000.00 |
| CA | Fleming Foods | $69,000.00 |
| CA | Fresh Western Marketing | $79,000.00 |
| CA | G.F. Export (Granny Goose) | $19,000.00 |
| CA | Garden of Eatin' | $30,000.00 |
| CA | Genuardi Farms | $99,000.00 |
| ID | Gering & Son | $20,000.00 |
| CA | Golden Bear Beverage Co. | $10,000.00 |

WUSATA (CONT.)

| STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|
| CO | Grt Wstn Tortilla | $53,000.00 |
| CA | Hansa Pacific | $99,000.00 |
| CA | Hansen Beverage | $99,000.00 |
| HI | Hawaiian Sun | $89,000.00 |
| WA | Hogue | $11,500.00 |
| WA | Hoodsport Winery | $5,000.00 |
| OR | Hoody | $25,000.00 |
| OR | Hoyt (Jay), Inc. | $10,000.00 |
| WA | Int'l Mkt Brands | $26,000.00 |
| CA | Kal Kan | $99,000.00 |
| CA | Kashi | $75,000.00 |
| AZ | La Corona Foods | $75,000.00 |
| CA | Lawrence (B.M.) & Co. | $68,000.00 |
| WA | Liberty Orchards | $55,000.00 |
| CA | Lindsay Int'l | $23,000.00 |
| ID | Litehouse, Inc. | $42,000.00 |
| HI | Mac Farms of Hawaii | $79,000.00 |
| WA | Maury Island | $7,000.00 |
| CA | Mayfair | $63,000.00 |
| MT | Montana Naturals | $77,000.00 |
| WA | Nalley's | $31,000.00 |
| CA | Nissin Foods | $79,000.00 |
| OR | Norpac | $66,000.00 |
| OR | Oregon Cherry Growers | $4,000.00 |
| CA | Otis McAllister | $79,000.00 |
| WA | Pacific Sales | $31,000.00 |
| CA | Pepperhouse Int'l | $20,000.00 |
| NM | Pet, Inc. | $99,000.00 |
| WA | Phoenix Marketing | $79,000.00 |
| OR | Poppers Supply | $27,000.00 |
| CO | Ralston Purina | $99,000.00 |
| ID | Rangen, Inc. | $18,000.00 |
| WA | Roman Meal | $99,000.00 |
| CA | Shoei Foods | $50,000.00 |
| CA | Sierra Hills Packing | $8,875.00 |
| WA | Staton Hills | $18,000.00 |
| ID | Ste. Chapelle | $6,000.00 |
| OR | Steinfeld's | $24,000.00 |
| WA | Stimson Lane | $56,000.00 |

WUSATA (CONT.)

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| | MT | Stonehouse Food Corp | | $30,000.00 |
| | WA | Sunridge Foods, Inc. | | $43,000.00 |
| | ID | Symms Fruit Ranch | | $12,000.00 |
| | WA | Tagaris Winery | | $19,000.00 |
| | CA | Trader Vic's | | $37,000.00 |
| | CA | Tradit'l Medicinals | | $20,000.00 |
| | WA | Tree Top | | $99,000.00 |
| | OR | Valley View Winery | | $21,000.00 |
| | OR | Vin Northwest | | $5,000.00 |
| | WA | Welch's | | $79,000.00 |
| | ID | Weston Winery | | $2,500.00 |
| | CO | White Wave | | $3,000.00 |
| | CA | Wild Rice Exchange | | $20,000.00 |
| | CA | Yasutomo & Co | | $10,000.00 |
| | | | SUBTOTAL | $3,853,625.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $3,853,625.00 |

MID-AMERICA INTERNATIONAL AGRI-TRADE COUNCIL

| STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|
| | U.S. COMPANIES | |
| IL | Bunge Foods | $50,000.00 |
| IL | Keebler Co | $50,000.00 |
| IL | La Preferida | $50,000.00 |
| IL | Little Lady Foods | $50,000.00 |
| IL | Ouaker Oats | $90,000.00 |
| IL | Reimann Food | $5,000.00 |
| IL | Rubschlager Baking | $7,000.00 |
| IL | Sahagian & Assoc | $7,000.00 |
| IL | Sokol & Co | $50,000.00 |
| IL | Suter Co | $50,000.00 |
| IL | TKI | $50,000.00 |
| IL | Upper Crest Int'l | $50,000.00 |
| IL | Vienna Sausage | $80,000.00 |
| IN | Ramsey Popcorn | $30,000.00 |
| IN | Weaver Popcorn | $70,000.00 |
| IA | AMPC | $41,950.00 |
| IA | American Popcorn | $90,000.00 |
| IA | Well's Dairy | $20,000.00 |
| KS | Hill's Pet | $150,000.00 |
| KS | Popcorn Exchange | $50,000.00 |
| MI | Gerber | $90,000.00 |
| MI | Honee Bear | $45,000.00 |
| MI | Purity Foods | $50,000.00 |
| MI | Specialty Grain | $9,152.00 |
| MN | Anacon | $45,000.00 |
| MN | Austrian Oblaten | $15,000.00 |
| MN | Bergin Nut Co | $15,000.00 |
| MN | Florhaug & Assoc | $61,000.00 |
| MN | General Mills | $90,000.00 |
| MN | Golden Valley MW | $150,000.00 |
| MN | Hormel International | $50,000.00 |
| MN | Little Bear | $50,000.00 |
| MN | Marigold Foods | $50,000.00 |
| MN | Pillsbury | $150,000.00 |

MIATCO (CONT.)

| STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|
| MN | Stars | $50,000.00 |
| MO | Custom Industries | $20,000.00 |
| MO | Wetterau | $40,000.00 |
| MO | IDF | $8,000.00 |
| MO | Lochhead Vanilla | $6,000.00 |
| MO | Pet, Inc. | $150,000.00 |
| MO | Petrofsky's | $150,000.00 |
| MO | Protein Tech | $70,000.00 |
| MO | Ralston | $70,000.00 |
| NE | Casera Foods | $10,000.00 |
| NE | Conagra FF | $150,000.00 |
| NE | Morrison Farms | $45,000.00 |
| NE | NE Dairies | $70,000.00 |
| NE | US Mills | $11,000.00 |
| ND | Red River Commodts | $26,000.00 |
| ND | Sigco Sun | $13,000.00 |
| ND | Sonne Labs | $50,000.00 |
| OH | Borden | $145,250.00 |
| OH | Campbell Soup | $150,000.00 |
| OH | Export Trade | $45,000.00 |
| OH | Hunt-Wesson | $90,000.00 |
| OH | Iams Co | $80,000.00 |
| OH | IAS | $150,000.00 |
| OH | J.M. Smucker | $50,000.00 |
| OH | Vogel Popcorn | $25,000.00 |
| SD | Capital Petfoods | $90,000.00 |
| WI | American Ag-Tec | $70,000.00 |
| WI | Beatreme | $70,000.00 |
| WI | Chief Industries | $16,000.00 |
| WI | Cumberland Pckg | $48,375.00 |
| WI | IMB | $45,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| MIATCO (CONT.) | | | | |
| | WI | Huber Brewing | | $50,000.00 |
| | WI | Welcome Dairy | | $11,000.00 |
| | | | SUBTOTAL | $3,985,727.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $3,985,727.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| KENTUCKY DISTILLERS ASSOCIATION | | | | |
| | | U.S. COMPANIES | | |
| | NY | Age International | | $195,000.00 |
| | NY | Austin Nichols and Company | | $300,000.00 |
| | IL | Jim Bean Brands | | $837,000.00 |
| | KY | Brown-Forman Corporation | | $1,165,000.00 |
| | KY | Glenmore Distilleries | | $0.00 |
| | KY | Heaven Hill Distilleries | | $220,000.00 |
| | MI | Hiram Walker & Sons | | $145,000.00 |
| | MN | International Packaging Co. | | $133,000.00 |
| | LA | Sazerac Company | | $25,000.00 |
| | TX | Schenley International | | $390,000.00 |
| | NY | Joseph E. Seagram & Sons | | $217,000.00 |
| | IL | Barton Brands | | $13,000.00 |
| | | | SUBTOTAL | $3,640,000.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $3,640,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|---|
| SOUTHERN U.S. TRADE ASSOCIATION | | | |
| | | U.S. COMPANIES | |
| | LA | Alimentco | $35,000.00 |
| | GA | Am Tanning & Leather | $45,000.00 |
| | MD | Baltimore Pizza | $21,500.00 |
| | VA | Basco | $15,000.00 |
| | GA | Bascom | $19,000.00 |
| | TX | Bellinger | $130,000.00 |
| | LA | Bernard Foods | $8,000.00 |
| | TX | Big Tex Grain | $4,000.00 |
| | TX | Blue Bell Creameries | $55,000.00 |
| | TX | Brice Foods | $100,000.00 |
| | LA | Brown's Velvet | $55,000.00 |
| | LA | Bruce Foods | $193,000.00 |
| | TX | Campbell Soup | $130,000.00 |
| | LA | Cargill | $50,000.00 |
| | NC | Carolina Classics | $5,000.00 |
| | PR | Casera Foods | $22,500.00 |
| | TX | Century Harvest | $12,000.00 |
| | VA | Chastain | $5,000.00 |
| | TN | Coffee Connexion | $65,000.00 |
| | LA | Crown Products | $118,000.00 |
| | LA | Crystal | $33,750.00 |
| | MS | Delta Pride | $95,000.00 |
| | PR | Escogido | $50,000.00 |
| | LA | Fairco | $23,000.00 |
| | FL | Florida Treatt | $3,000.00 |
| | FL | Florida-European | $27,000.00 |
| | PR | Fruits International | $80,000.00 |
| | NC | Gerber | $95,000.00 |
| | MD | Global Ent. | $25,000.00 |
| | PR | Golden Fruit Co., Inc. | $30,000.00 |
| | FL | GPI | $5,000.00 |
| | TX | Great San Saba | $23,000.00 |
| | MD | G. Heileman | $120,000.00 |
| | GA | Helen's Tropical | $7,000.00 |
| | NC | Home Ind | $8,000.00 |

SUSTA (CONT.)

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| SUSTA (CONT.) | | | | |
| | PR | H.D.C. | | $97,500.00 |
| | MD | H.R. Nicholson | | $15,000.00 |
| | FL | Intermares Group Inc. | | $55,000.00 |
| | SC | International Ind. | | $15,600.00 |
| | MD | Int'l Bridge | | $15,000.00 |
| | FL | Jacque Bobbe | | $40,000.00 |
| | MD | John T. Handy | | $20,000.00 |
| | FL | J.R. Brooks | | $55,000.00 |
| | VA | Khoury Assoc. Int'l | | $65,000.00 |
| | LA | La Premium Seafoods | | $65,000.00 |
| | NC | Lance | | $55,000.00 |
| | MD | Lee's Homemade Ice Cream | | $10,000.00 |
| | TX | L. A. Teste Service | | $17,000.00 |
| | LA | Magic Seasoning | | $29,750.00 |
| | LA | Mcilhenny Co. | | $150,000.00 |
| | MD | MD Gourmet Foods | | $7,000.00 |
| | MD | Mecca | | $55,000.00 |
| | NC | Miller Beer | | $70,000.00 |
| | PR | Nipuspan | | $85,000.00 |
| | GA | Nut Tree Pecan | | $20,000.00 |
| | TX | Pace Foods | | $75,000.00 |
| | TX | Pacan Valley Nut Co. | | $7,000.00 |
| | TX | Pet Inc. | | $70,000.00 |
| | LA | Piazza | | $5,000.00 |
| | MD | Quandt Enterprises | | $11,000.00 |
| | TX | Richland Beverage | | $40,000.00 |
| | NC | Seneca | | $55,000.00 |
| | NC | Simply Delicious | | $40,000.00 |
| | TX | Spanish American Trading | | $12,000.00 |
| | AR | TCBY | | $75,000.00 |
| | KY | Torbitt & Castleman | | $39,000.00 |
| | TX | Tri City Sales | | $8,000.00 |
| | TX | WEBCO | | $10,000.00 |
| | LA | WM B. Reily | | $50,000.00 |
| | PR | WM. Mattel | | $9,000.00 |
| | SC | Young Pecan | | $30,000.00 |
| | | | SUBTOTAL | $3,190,600.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| SUSTA (CONT.) | | | | |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $3,190,600.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| CHOCOLATE MANUFACTURES | | | | |
| | | U.S. COMPANIES | | |
| | | Hershey International | | $423,577.00 |
| | | M&M/Mars | | $785,115.00 |
| | | Ben Myerson Candy Company | | $37,500.00 |
| | | Herman Goelitz Candy Company | | $55,500.00 |
| | | Brown Haley/Almond Roca International | | $150,000.00 |
| | | Nestle USA | | $202,194.00 |
| | | Minkowitz Services | | $50,000.00 |
| | | Tootsie Roll Industries | | $148,419.00 |
| | | GVGP Corp of California | | $8,000.00 |
| | | Morley Candy Makers | | $15,000.00 |
| | | R.M. Palmer | | $43,500.00 |
| | | Warner-Lambert Company | | $33,500.00 |
| | | Sunmark International | | $101,542.00 |
| | | Fine Foods Northwest | | $2,200.00 |
| | | The Sweet Shop USA | | $10,800.00 |
| | | | SUBTOTOAL | $2,066,847.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $2,066,847.00 |

HORTICULTURAL AND TROPICAL PRODUCTS

PROCESSED CORN (EIP)

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| | U.S. COMPANIES | | |
| ID | Pillsbury | | $1,878,000.00 |
| WI | Monarch | | $0.00 |
| OR | Norpac | | $131,000.00 |
| WA/OR/ID/IL | Del Monte | | $109,000.00 |
| OR | Agripac | | $296,500.00 |
| CA | Fleming | | $25,000.00 |
| WI | Int'l American Supermkt. Corp. | | $25,000.00 |
| NY | Interfrost | | $285,000.00 |
| CA | S&W Foods | | $40,000.00 |
| WA/OR/ID | American Fine Foods | | $0.00 |
| WI | Friday Canning Corp. | | $0.00 |
| | | SUBTOTAL | $2,789,500.00 |
| | U.S. SUBSIDIARIES | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | FOREIGN BRANDS | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | | TOTAL BRANDED | $2,789,500.00 |

CALIFORNIA WALNUT COMMISSION

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| | U.S. COMPANIES | | |
| CA | Diamond | | $115,000.00 |
| | | SUBTOTAL | $115,000.00 |
| | U.S. SUBSIDIARIES | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | FOREIGN BRANDS | | |
| Spain | Borges | | $855,000.00 |
| Spain | Importaco/Cohesol | | $0.00 |
| Spain | Riera | | $0.00 |
| | | SUBTOTAL | $855,000.00 |
| | | TOTAL BRANDED | $970,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| PROCESSED TOMATO (EIP) | | | | |
| | | U.S. COMPANIES | | |
| | CA | Del Monte | | $170,000.00 |
| | CA | Escalon | | $5,500.00 |
| | CA | Hunt–Wesson | | $130,000.00 |
| | WA | Northwest Packing | | $10,125.00 |
| | CA | Tri–Valley Growers | | $290,375.00 |
| | | | SUBTOTAL | $606,000.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $606,000.00 |

CRANBERRY (EIP)

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| | U.S. COMPANIES | | |
| MA | Ocean Spray | | $784,000.00 |
| | | SUBTOTAL | $784,000.00 |
| | U.S. SUBSIDIARIES | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | FOREIGN BRANDS | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | | TOTAL BRANDED | $784,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| GRAPE (EIP) | | | | |
| | | U.S. COMPANIES | | |
| | WA/PA/AR | Welch's | | $1,205,400.00 |
| | | | SUBTOTAL | $1,205,400.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $1,205,400.00 |

FLORIDA DEPARTMENT OF CITRUS

| | STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|---|
| | | U.S. COMPANIES | |
| | FL | Caulkins | $18,066.00 |
| | FL | Inter-Floridana | $34,009.00 |
| | FL | Citrus World | $1,292.00 |
| | FL | Sunpure | $27,445.00 |
| | FL | Tropicana | $155,132.00 |
| | FL | Winter Garden | $84,174.00 |
| | FL | Silver Spring | $2,842.00 |
| | FL | Albertsons | $5,467.00 |
| | FL | Golden Gem | $51,391.00 |
| | FL | Indian River Foods | $7,293.00 |
| | FL | Orange-Co | $545.00 |
| | FL | Juice Bowl | $77,668.00 |
| | FL | DLF International | $27,612.00 |
| | FL | Duda | $17,687.00 |
| | FL | IMG | $55,841.00 |
| | FL | Ocean Spray | $18,431.00 |
| | FL | Seald-Sweet | $57,309.00 |
| | FL | Citrus Country | $11,568.00 |
| | FL | DNE | $130,502.00 |
| | FL | Dole | $11,958.00 |
| | FL | Fresh Citrus Sales | $11,693.00 |
| | FL | Plenty | $6,541.00 |
| | FL | Riverside | $4,682.00 |
| | FL | Dearhardt | $1,804.00 |
| SUBTOTAL | | | $820,952.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| FLORIDA DEPT. OF CITRUS (CONT.) | | | | |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $820,952.00 |

CITRUS (EIP)

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| | U.S. COMPANIES | | |
| CA | DiMare | | $25,050.00 |
| CA | LoBue | | $50,000.00 |
| CA | Sequoia | | $90,000.00 |
| CA | Horizon | | $95,000.00 |
| CA | Sun World | | $160,000.00 |
| CA | Dole | | $980,000.00 |
| CA | Sunkist | | $7,799,950.00 |
| | | SUBTOTAL | $9,200,000.00 |
| | U.S. SUBSIDIARIES | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | FOREIGN BRANDS | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | | TOTAL BRANDED | $9,200,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| CALIFORNIA PRUNE BOARD | | | | |
| | | U.S. COMPANIES | | |
| | CA | Cal Prune | | $335,000.00 |
| | CA | Dole | | $362,000.00 |
| | CA | Mariani | | $407,000 00 |
| | CA | Sunsweet | | $3,300,000.00 |
| | CA | Valley View | | $306,000.00 |
| | | | SUBTOTAL | $4,710,000.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $4,710,000.00 |

CALIFORNIA RAISIN ADVISORY BOARD

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| | U.S. COMPANIES | | |
| CA | Dole | | $808,250.00 |
| CA | Sun Maid | | $2,628,350.00 |
| CA | National | | $412,200.00 |
| CA | Del Ray | | $65,000.00 |
| CA | Enoch | | $42,250.00 |
| CA | Leon | | $130,650.00 |
| CA | Caruthers | | $13,000.00 |
| CA | Victor | | $19,500.00 |
| | | SUBTOTAL | $4,119,200.00 |
| | U.S. SUBSIDIARIES | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | FOREIGN BRANDS | | |
| Denmark | Dagrofa | | $29,250.00 |
| Denmark | FDB | | $29,250.00 |
| Finland | Dagrofa | | $16,250.00 |
| Finland | INEX | | $19,500.00 |
| Finland | KESKO | | $3,250.00 |
| Germany | Neuform | | $52,000.00 |
| Germany | Aldi | | $13,000.00 |
| Norway | Unil | | $13,000.00 |
| Sweden | DAGAB | | $13,000.00 |
| Sweden | ICA | | $26,000.00 |
| Sweden | INEX | | $26,000.00 |
| Netherlands | Zannatori | | $13,000.00 |
| Netherlands | Glol | | $52,000.00 |
| Spain | Borges | | $260,000.00 |
| UK | Tesco | | $21,450.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| CALRAB (CONT.) | | | | |
| | UK | ASDA | | $19,500.00 |
| | UK | Gateway | | $9,750.00 |
| | UK | Sainsbury | | $21,450.00 |
| | UK | Safeway | | $21,450.00 |
| | UK | Petty Wood | | $7,400.00 |
| | UK | Co-op | | $16,250.00 |
| | UK | Morrison | | $9,750.00 |
| | Taiwan | Fu Mei | | $166,250.00 |
| | | | SUBTOTAL | $858,750.00 |
| | | | TOTAL BRANDED | $4,977,950.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| BRANDY EXPORT ASSOCIATION | | | | |
| | | U.S. COMPANIES | | |
| | | Clear Creek Distillery | | $66,500.00 |
| | | E & J Gallo | | $690,000.00 |
| | | International Packaging Co | | $50,000.00 |
| | | St. George Spirits | | $1,500.00 |
| | | | SUBTOTAL | $808,000.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $808,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| ALMOND (EIP) | | | | |
| | | U.S. COMPANIES | | |
| | All | Blue Diamond | | $4,462,763.00 |
| | All | Hansa Pacific | | $380,000.00 |
| | CA | Hughson Nut | | $68,082.00 |
| | CA | Triad | | $29,433.00 |
| | CA | Dole | | $100,000.00 |
| | | | SUBTOTAL | $5,040,278.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $5,040,278.00 |

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NATIONAL HONEY BOARD

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| | U.S. COMPANIES | | |
| GA | Supplies & Mktg. Int'l Inc. | | $32,500.00 |
| IA | Sioux Honey Association | | $34,375.00 |
| | | SUBTOTAL | $66,875.00 |
| | U.S. SUBSIDIARIES | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | FOREIGN BRANDS | | |
| Finland | Finnish Honey Producers | | $8,125.00 |
| Sweden | CGA Standberg | | $5,000.00 |
| | | SUBTOTAL | $13,125.00 |
| | | TOTAL BRANDED | $80,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| NATIONAL POTATO PROMOTION BOARD | | | | |
| | | U.S. COMPANIES | | |
| | ID/WA/OR | J.R. Simplot | | $200,000.00 |
| | ID/WA/OR | Norpac | | $15,000.00 |
| | ID | Basic American | | $90,000.00 |
| | ID/WA/OR | Lamb Wesson | | $95,000.00 |
| | ID | Magic Valley | | $22,500.00 |
| | ID/WA/OR | Pacific Sales | | $42,500.00 |
| | ID/WA/OR | Sky International | | $50,000.00 |
| | ID/WA/OR | Spada Enterprise | | $15,000.00 |
| | ID/WA/OR | Universal | | $60,500.00 |
| | ID/WA/OR | Viking/Golden VY | | $17,500.00 |
| | | | SUBTOTAL | $608,000.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $608,000.00 |

WINE INSTITUTE

| STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|
| | U.S. COMPANIES | |
| CA | Ariel | $30,000.00 |
| CA | California Winery | $75,145.00 |
| CA | Concannon | $20,000.00 |
| CA | Domaine Chandon | $30,000.00 |
| CA | Firestone | $3,000.00 |
| CA | Freemark Abbey | $6,250.00 |
| CA | Geyser Peak | $20,000.00 |
| CA | Giumarra | $34,725.00 |
| CA | Glen Ellen | $283,000.00 |
| CA | Grgich Hills | $1,500.00 |
| CA | Guenoc | $22,000.00 |
| CA | Heublein | $731,505.00 |
| CA | Laurel Glen | $2,700.00 |
| CA | Lohr, J. | $9,625.00 |
| CA | Martin Bros. | $3,000.00 |
| CA | Mirassou | $72,710.00 |
| CA | Parducci | $12,500.00 |
| CA | Seagrams | $689,768.00 |
| CA | Shafer | $5,000.00 |
| CA | Sutter Home | $60,600.00 |
| CA | Vintners Int'l | $810,850.00 |
| CA | Wine Group | $80,000.00 |
| CA | Woltner Estates | $15,000.00 |
| CA | Gallo | $4,500,000.00 |
| CA | Wine World (Beringer) | $125,000.00 |
| CA | St. Supery | $20,000.00 |
| CA | Schug | $6,500.00 |
| CA | Cuvaison | $65,000.00 |
| CA | Foppiano | $45,000.00 |
| CA | Franciscan | $38,000.00 |
| CA | Grand Cru | $10,400.00 |
| CA | Guild | $123,000.00 |
| CA | Rutherford Hill | $27,600.00 |
| CA | Schramsberg | $15,750.00 |
| CA | Hess Collection | $600.00 |

WINE INSTITUTE (CONT.)

| STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|
| CA | Wente Bros. | $160,000.00 |
| CA | San Antonio | $4,000.00 |
| CA | Korbel | $55,000.00 |
| CA | Chalone | $6,000.00 |
| CA | Ferrari–Carano | $8,000.00 |
| CA | Delicato | $150,000.00 |
| CA | Weibel | $95,000.00 |
| CA | Bargetto | $1,500.00 |
| CA | Vinformation (Moutain View) | $8,000.00 |
| CA | Fetzer | $90,000.00 |
| CA | Mondavi | $320,000.00 |
| CA | Racke USA | $67,000.00 |
| CA | Dry Creek | $10,750.00 |
| CA | Guglielmo (Emilio) | $75,000.00 |
| CA | Freixenet | $35,000.00 |
| CA | De Loach | $8,000.00 |
| CA | Alexander Valley | $3,000.00 |
| CA | Bonny Doon | $1,600.00 |
| CA | Cameros Creek | $5,500.00 |
| CA | Chateau St. Jean | $25,000.00 |
| CA | Kenwood | $25,000.00 |
| CA | Far Niente | $6,500.00 |
| CA | Iron Horse | $6,500.00 |
| CA | Ravenswood | $3,000.00 |
| CA | Cakebread Cellars | $15,650.00 |
| CA | Haciende | $3,000.00 |
| CA | Matanzas Creek | $2,500.00 |
| CA | Preston | $1,750.00 |
| CA | Trefethen | $25,500.00 |
| CA | Siml | $11,750.00 |
| CA | Kendall–Jackson | $11,800.00 |
| CA | St. Francis | $10,000.00 |
| CA | Gundlach–Bunschu | $14,000.00 |
| CA | Seghesio | $2,000.00 |
| CA | Golden State Vintners | $200,000.00 |
| CA | BSRM (St. Zellerbach) | $1,500.00 |
| CA | Sebastiani | $350,000.00 |
| CA | Arciero | $3,000.00 |
| CA | McDowell Valley | $6,000.00 |

WINE INSTITUTE (CONT.)

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| | CA | Quady | | $1,800.00 |
| | CA | Saintsbury | | $8,000.00 |
| | CA | Tribaut Devaury | | $3,000.00 |
| | CA | Clos du Val | | $12,500.00 |
| | CA | Renaissance | | $5,500.00 |
| | CA | Swanson | | $28,000.00 |
| | CA | Wheeler (William) | | $8,000.00 |
| | CA | Calera | | $1,200.00 |
| | CA | Scharfenberger | | $35,000.00 |
| | CA | Culbertson | | $3,000.00 |
| | CA | Frog's Leap | | $5,000.00 |
| | CA | Lytton Springs | | $3,160.00 |
| | CA | Phelps (Joseph) | | $4,500.00 |
| | | | SUBTOTAL | $9,942,188.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $9,942,188.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|---|
| DAIRY, LIVESTOCK AND POULTRY | | | |
| U.S. MEAT EXPORT FEDERATION | | | |
| | | U.S. COMPANIES | |
| | ID | Agri–Beef | $7,500.00 |
| | MI | Allen Associates | $0.00 |
| | MO | Ambassador Meats | $0.00 |
| | WI | American Foods | $70,250.00 |
| | IL | Beatrice | $65,500.00 |
| | NE | Beef America | $2,000.00 |
| | TX | Bellinger Assn. | $0.00 |
| | CA | Brinco | $0.00 |
| | IL | Bruss | $0.00 |
| | MN | Cady Management | $0.00 |
| | IL | Carl Buddig | $0.00 |
| | OH | Certified Angus BF | $17,250.00 |
| | PA | Colonial | $1,350.00 |
| | MN | Conagra | $0.00 |
| | WI | Consolidated Beef | $0.00 |
| | NE | Cornland | $0.00 |
| | TX | Dallas Crown | $36,000.00 |
| | TX | Double "B" | $37,000.00 |
| | CA | DPM | $0.00 |
| | UT | E.A. Miller | $20,000.00 |
| | MN | Ellison | $0.00 |
| | KS | Excel | $45,000.00 |
| | MO | Farmland | $19,850.00 |
| | NJ | Frontier | $2,000.00 |
| | CO | Gerber | $21,000.00 |
| | NC | Goodmark | $116,000.00 |
| | TX | Granada | $0.00 |
| | PA | Gurrentz | $0.00 |
| | CA | Harris Ranch | $30,000.00 |
| | OH | Hilshire Farms | $25,000.00 |
| | MN | Hormel | $0.00 |
| | KS | Hyplains | $0.00 |

USMEF (CONT.)

| STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|
| NH | Jac Pac | $0.00 |
| ID | J.S. Simplot | $48,500.00 |
| OH | John Morrell | $44,750.00 |
| WI | Jones Dairy | $8,500.00 |
| WA | K & N Foods | $0.00 |
| WI | Kraft (Gen. Foods) | $0.00 |
| CA | Manning Beef | $0.00 |
| CO | Maverick | $0.00 |
| IA | Midamar | $0.00 |
| CO | Monfort | $31,000.00 |
| CO | Mountain Meadows | $0.00 |
| IA | Oscar Mayer | $0.00 |
| WI | Packerland | $0.00 |
| OH | Pierre Frozen Foods | $30,000.00 |
| WI | Provimi | $0.00 |
| NE | Ranchland | $0.00 |
| NM | Rich Meat | $0.00 |
| FL | Rose Packing | $15,250.00 |
| TX | Sam Hausman Meats | $0.00 |
| CA | Shasta Foods | $0.00 |
| CA | Shenson | $28,000.00 |
| NE | Skylark | $0.00 |
| NY | Smith Packing | $1,150.00 |
| CA | Southfield | $0.00 |

USMEF CONT.

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| GA | Stake Specialists | | $0.00 |
| WA | Superior Foods | | $0.00 |
| IA | Tama | | $0.00 |
| IN | Taurus | | $0.00 |
| WA | Tillamook | | $0.00 |
| VA | Valleydale | | $0.00 |
| CA | Veal Connection | | $0.00 |
| IL | Vienna Beef | | $68,500.00 |
| NE | VMI | | $0.00 |
| WA | Washington Beef | | $29,150.00 |
| OK | Wilson Foods | | $44,000.00 |
| CT | Windabrae | | $0.00 |
| WY | Wyoming I/X | | $0.00 |
| | | SUBTOTAL | $864,500.00 |
| | U.S. SUBSIDIARIES | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | FOREIGN BRANDS | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | | TOTAL BRANDED | $864,500.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| ALASKA SEAFOOD MARKETING INSTITUTE | | | | |
| | | U.S. COMPANIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | UK | John West | | $507,000.00 |
| | UK | Princess | | $117,000.00 |
| | UK | Co-op | | $61,900.00 |
| | UK | Sainsbury | | $48,200.00 |
| | Ireland | Beck-Smith | | $25,000.00 |
| | Netherlands | Gloe & Co. | | $21,300.00 |
| | Netherlands | MCM Foods | | $38,700.00 |
| | | | SUBTOTAL | $819,100.00 |
| | | | TOTAL BRANDED | $819,100.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| NATIONAL ASSOCIATION OF ANIMAL BREEDERS | | | | |
| | | U.S. COMPANIES | | |
| | TN | American Senepol Limited, Inc. | | $2,500.00 |
| | AZ | Semkin International | | $2,000.00 |
| | WI | American Breeders Service | | $30,000.00 |
| | PA | Federated Genetics | | $14,000.00 |
| | CA | Landmark Genetics | | $21,000.00 |
| | OH | NOBA | | $7,500.00 |
| | OH | Select Sires | | $15,000.00 |
| | PA | Sire Power | | $11,000.00 |
| | WI | Tri-State Breeders | | $7,500.00 |
| | WI | 21st Century Genetics | | $6,800.00 |
| | CA | World Wide Sires Inc. | | $52,700.00 |
| | | | SUBTOTAL | $170,000.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $170,000.00 |

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| U.S. MINK EXPORT DEVELOPMENT COUNCIL | | | |
| | U.S. COMPANIES | | |
| | Moyle Mink | | $40,000.00 |
| | North American Fur | | $740,000.00 |
| | American Legend | | $1,200,000.00 |
| | | SUBTOTAL | $1,980,000.00 |
| | U.S. SUBSIDIARIES | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | FOREIGN BRANDS | | |
| | None | | $0.00 |
| | | SUBTOTAL | $0.00 |
| | | TOTAL BRANDED | $1,980,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| USA POULTRY AND EGG EXPORT COUNCIL | | | | |
| | | U.S. COMPANY | | |
| | | American Poultry international | | $7,500.00 |
| | | Bil Mar Foods | | $60,000.00 |
| | | Plantation Foods | | $206,536.00 |
| | | Longmont Foods | | $127,312.00 |
| | | B. Terfloth | | $89,624.00 |
| | | Fast Food Merchandizers | | $82,500.00 |
| | | Conagra | | $15,000.00 |
| | | Rocco | | $355,964.00 |
| | | Tyson Foods | | $1,177,124.00 |
| | | Rockingham | | $212,016.00 |
| | | Foster Farms | | $165,000.00 |
| | | Hidden Vilia | | $218,808.00 |
| | | Decoster Egg Farms | | $218,808.00 |
| | | Frontier Beef | | $37,500.00 |
| | | Empire Kosher | | $37,500.00 |
| | | Swift Eckrich | | $157,500.00 |
| | | Pierce Foods | | $30,000.00 |
| | | | SUBTOTAL | $3,198,692.00 |
| | | U.S. SUBSIDIARIES | | |
| | | McDonalds HK | | $218,808.00 |
| | | Burger King | | $157,500.00 |
| | | McDonalds SN | | $150,000.00 |
| | | | SUBTOTAL | $526,308.00 |
| | | FOREIGN BRANDS | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | | TOTAL BRANDED | $3,725,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| TOBACCO, COTTON AND SEEDS | | | | |
| COTTON COUNCIL INTERNATIONAL | | | | |
| | | U.S. COMPANIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | U.S. SUBSIDIARIES | | |
| | | None | | $0.00 |
| | | | SUBTOTAL | $0.00 |
| | | FOREIGN BRANDS | | |
| | Korea | Cotton Club | | $78,947.00 |
| | Korea | Sergio Valente | | $65,789.00 |
| | Korea | Absorba | | $65,789.00 |
| | Korea | Sasson | | $52,631.00 |
| | Korea | Bang Bang | | $52,631.00 |
| | Korea | Try | | $131,578.00 |
| | Korea | Edwin | | $39,473.00 |
| | Korea | Vicman | | $118,421.00 |
| | Korea | Arnold Palmer | | $65,789.00 |
| | Korea | Simple Life | | $65,789.00 |
| | Korea | BYC | | $131,578.00 |
| | Korea | Hunt | | $65,789.00 |
| | Korea | System | | $52,631.00 |
| | Korea | Dongil Corp | | $4,540.00 |
| | Korea | Chongbang Co | | $12,106.00 |
| | Korea | Taihan Textile Corp | | $7,497.00 |
| | Korea | Dainong Corp | | $8,417.00 |
| | Korea | Choongnam Spinning Co | | $14,554.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|---|
| COTTON COUNCIL INTERNAIONAL (CONT.) | | | |
| | Korea | Ilshin Spinning | $5,858.00 |
| | Korea | Pang-rim Coop | $6,611.00 |
| | Korea | Tae Hwa Spinning Coop | $1,988.00 |
| | Korea | Samil Spinning | $2,015.00 |
| | Korea | Hang Ten | $52,631.00 |
| | Korea | Fabrizio | $26,315.00 |
| | Korea | Scofield | $34,219.00 |
| | Taiwan | John Henry | $20,833.00 |
| | Taiwan | Tonia Nicole | $20,500.00 |
| | Taiwan | Bontex | $62,500.00 |
| | Taiwan | Lee | $141,999.00 |
| | Taiwan | IBS | $58,333.00 |
| | Taiwan | Little YG | $75,000.00 |
| | Taiwan | ING | $41,667.00 |
| | Taiwan | CB | $29,167.00 |
| | Taiwan | Proman | $66,667.00 |
| | Taiwan | Jockey | $112,500.00 |
| | Taiwan | Playboy | $41,667.00 |
| | Taiwan | Yierhshuang | $58,333.00 |
| | Taiwan | Martex | $45,833.00 |
| | Taiwan | Papp | $19,167.00 |
| | Taiwan | S.B. Polo | $29,167.00 |
| | Taiwan | Unicorn | $83,333.00 |
| | Taiwan | FET | $91,667.00 |
| | Taiwan | Manhattan | $66,667.00 |
| | Japan | AS | $257,208.00 |
| | Japan | Daruma & Ings | $69,166.00 |
| | Japan | Daiwabo Hanes | $194,166.00 |
| | Japan | Toyobo | $307,136.00 |
| | Japan | Bobson | $732,725.00 |
| | Japan | Familiar | $177,500.00 |
| | Japan | Wrangler | $607,308.00 |
| | Japan | Crocodile | $257,208.00 |
| | Japan | Munsingwear | $826,708.00 |
| | Japan | Upxon Hanes | $32,000.00 |
| | Japan | Comfort Proposal | $62,750.00 |
| | Japan | Roberta Di Camerion | $71,000.00 |
| | Japan | Kyoto Nishikawa | $41,000.00 |
| | Japan | Shikibo | $5,375.00 |

COTTON COUNCIL INTERNATIONAL (CONT.)

| | STATE/COUNTRY | BRANDED COMPANIES | 1992 BUDGETED |
|---|---|---|---|
| | Japan | Daiwabo | $6,381.00 |
| | Japan | Kurabo | $11,127.00 |
| | Japan | Kanebo | $2,649.00 |
| | Japan | Fujibo | $5,681.00 |
| | Japan | Nisshinbo | $23,352.00 |
| | Japan | Nittobo | $4,593.00 |
| | Japan | Kowabo | $1,018.00 |
| | Japan | Tatsutabo | $3,099.00 |
| | Japan | Toho | $6,317.00 |
| | Japan | Omikenshi | $2,500.00 |
| | Japan | Kondobo | $7,292.00 |
| | Japan | Altex | $4,727.00 |
| | Japan | Daiichibo | $1,142.00 |
| | Japan | Sinnaigai | $1,518.00 |
| | Japan | Hasetorabo | $653.00 |
| | Japan | Uni-Ace | $1,614.00 |
| | Japan | Yamadabo | $1,451.00 |
| | Japan | Kyungbang | $6,151.00 |
| | Japan | YG | $597,500.00 |
| | Japan | Nishikawa Sangyo | $73,783.00 |
| | Japan | Big John | $115,187.00 |
| | Japan | Edwin | $113,717.00 |
| | Japan | Mitsukoshi | $65,000.00 |
| | France | Santens | $250,000.00 |
| | France | Brax | $207,000.00 |
| | France | Fruit of the Loom | $141,000.00 |
| | France | New Man | $200,000.00 |
| | France | Bensimon | $250,000.00 |
| | France | Russell | $50,000.00 |
| | Germany | Christian Dierig | $200,000.00 |
| | Germany | Schiesser | $418,000.00 |
| | Germany | Champion | $112,000.00 |
| | Germany | Fruit of the Loom | $175,000.00 |
| | Germany | Brax | $198,000.00 |
| | Germany | Eminence | $200,000.00 |
| | Germany | Gardeur | $241,000.00 |
| | Germany | Russell | $50,000.00 |
| | Italy | Rifle | $300,000.00 |
| | Italy | Bossi | $206,000.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| COTTON COUNCIL INTERNATIONAL (CONT.) | | | | |
| | Italy | Champion | | $103,000.00 |
| | Italy | Ragno | | $200,000.00 |
| | Italy | Chicco | | $104,000.00 |
| | Italy | Strenesse | | $200,000.00 |
| | UK | Pringle | | $132,000.00 |
| | UK | PJ Flower | | $34,000.00 |
| | UK | New Man | | $100,000.00 |
| | UK | Strenesse | | $100,000.00 |
| | UK | Russell | | $50,000.00 |
| | | | SUBTOTAL | $11,167,268.00 |
| | | | TOTAL BRANDED | $11,167,268.00 |

| | STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|---|
| GRAIN AND FEED DIVISION | | | | |
| USA RICE COUNCIL | | | | |
| | | U.S. COMPANIES | | |
| | Saudi Arabia | Riceland | | $130,000.00 |
| | Saudi Arabia | ARI | | $155,000.00 |
| | UAE | Riceland | | $5,850.00 |
| | Nether. Antill. | ARI | | $25,000.00 |
| | Mexico | Riceland Foods | | $20,000.00 |
| | | | SUBTOTAL | $335,850.00 |
| | | U.S. SUBSIDIARIES | | |
| | Sweden | Master Foods | | $24,000.00 |
| | Saudi Arabia | Effemex | | $50,000.00 |
| | UAE | Effemex | | $22,500.00 |
| | | | SUBTOTAL | $96,500.00 |
| | | FOREIGN BRANDS | | |
| | Germany | Rickmers | | $40,000.00 |
| | Germany | Euryza | | $240,000.00 |
| | Germany | Kraft Retail | | $90,000.00 |
| | Germany | Kraft Foodservice | | $15,000.00 |
| | Sweden | Bengt Undroth | | $28,000.00 |
| | Sweden | De Coen | | $33,400.00 |
| | Sweden | AB Juvel | | $32,667.00 |
| | United King. | Universe Foods | | $10,000.00 |
| | United King. | Tilde Rice | | $300,000.00 |
| | United King. | Fisher Frozen Foods | | $8,000.00 |
| | United King. | Stevens & Brotherton | | $12,000.00 |
| | United King. | VT Agro Mills | | $100,000.00 |
| | South Africa | Tastic Rice | | $95,000.00 |

USA RICE COUNCIL (CONT.)

| STATE/COUNTRY | BRANDED COMPANIES | | 1992 BUDGETED |
|---|---|---|---|
| Turkey | Akel Tekstil | | $100,000.00 |
| Turkey | Uniyetis | | $200,000.00 |
| Turkey | Torun | | $50,000.00 |
| Turkey | Ekstra | | $100,000.00 |
| Turkey | Uluslararasi Acanda | | $50,000.00 |
| Saudi Arabie | Excelco | | $25,000.00 |
| Saudi Arabie | OPRI | | $40,000.00 |
| UAE | Excelco | | $21,650.00 |
| | | SUBTOTAL | $1,590,717.00 |
| | | TOTAL BRANDED | $2,023,067.00 |
| | | GRAND TOTAL BRANDED CO. | $84,123,895.00 |

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service was established on March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 83-690, approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service.

The agency performs the following kinds of service functions:

It maintains a worldwide agricultural market intelligence and commodity reporting service to provide U.S. farmers and traders with information on world agricultural production and trade that they can use to adjust to changes in world demand for U.S. agricultural products. This is done through a continuous program of reporting by 75 posts located throughout the world covering some 133 countries. Reporting includes information and/or data on foreign government policies, analysis of supply and demand conditions, commercial trade relationships and market opportunities. Advanced computer and telecommunications technology is used to improve and speed the flow of information between the posts and Washington.

The Foreign Agricultural Service analyzes agricultural information essential to the assessment of foreign supply and demand conditions in order to provide estimates of the current situation and to forecast the export potential for specific U.S. agricultural commodities. Published economic data about commodities are combined with attache reports and are a result of thorough analysis using complex econometric techniques to generate these estimates.

In addition, the Service uses advanced techniques for identifying, delineating and assessing the impact of events which may affect the condition and expected production of foreign crops of economic importance to the United States. The crop condition activity relies heavily on computer aided analysis of satellite, meteorological, agricultural and related data.

The Service develops foreign markets for U.S. farm products through effective market expansion activities. It provides services to the U.S. and foreign agricultural trade sectors that are necessary to establish, build and maintain overseas markets for U.S. agricultural products. The Agricultural Trade Act of 1978 includes authority to establish up to 25 Agricultural Trade Offices. Currently 15 such offices are in operation at key foreign trading centers to assist U.S. exporters, trade groups and state export marketing officials in trade promotion.

The Service initiates, directs and coordinates the Department's formulation of trade policies and programs with the goal of maintaining and expanding world markets for U.S. agricultural products. It monitors international compliance with bilateral and multilateral trade agreements. It identifies restrictive tariff and trade practices which act as barriers to the import of U.S. agricultural commodities, then supports negotiations to remove them. It acts to counter and eliminate unfair trade practices of other countries that hinder U.S. agricultural experts to third markets.

Headquarters of the Service is in Washington, D.C. Work of the Service is also carried out in 75 posts around the world. As of September 30, 1992, there were 897 permanent full-time employees, 630 in headquarters and 267 in field locations abroad.

**FOREIGN AGRICULTURAL SERVICE**
**OFFICE OF THE GENERAL SALES MANAGER**

**Available Funds and Staff-Years**

**1992 Actual and Estimated 1993 and 1994**

| Item | 1992 Actual Amount | 1992 Actual Staff-Years | 1993 Estimated Amount | 1993 Estimated Staff-Years | 1994 Estimated Amount | 1994 Estimated Staff-Years |
|---|---|---|---|---|---|---|
| Foreign Agricultural Service | 114,774,000 | 759 | 117,928,000 | 743 | 109,094,000 | 751 |
| Obligations under other USDA appropriations: | | | | | | |
| Agricultural Marketing Service for Cotton Research and Soybean Bd. | 36,650 | -- | 40,000 | -- | 40,000 | -- |
| Commodity Credit Corporation for: | | | | | | |
| Landsat Data and support of export programs | 2,200,000 | 2 | 2,200,000 | 2 | 2,200,000 | 2 |
| ADP services | 151,356 | -- | -- | -- | -- | -- |
| MPP Evaluations | 1,000,000 | -- | 1,000,000 | -- | 1,000,000 | -- |
| Emerging Democracies program | 9,879,522 | -- | 10,000,000 | -- | 10,000,000 | -- |
| Economic Research Service for Foreign Publication Procurement Program | 3,750 | -- | 4,000 | -- | 4,000 | -- |
| Departmental Administration for: | | | | | | |
| Advisory Committees | 207,223 | -- | 155,000 | -- | 155,000 | -- |
| Reimbursable details | 123,327 | -- | -- | -- | -- | -- |
| Total, Other USDA Appropriations | 13,601,828 | 2 | 13,399,000 | 2 | 13,399,000 | 2 |
| Total, Agriculture Appropriations | 128,375,828 | 761 | 131,327,000 | 745 | 122,493,000 | 753 |
| Non-Federal Funds: | | | | | | |
| Information Circulars | 252,000 | -- | 255,000 | -- | 255,000 | -- |
| User Fees for Attache Reports | 90,000 | -- | 90,000 | -- | 90,000 | -- |
| User Fees for AIMS Trade Leads | 60,000 | -- | 50,000 | -- | 50,000 | -- |
| User Fees for Computer Time and Files | 2,600 | -- | 3,000 | -- | 3,000 | -- |
| Export Sales Report | -- | -- | 9,000 | -- | 9,000 | -- |
| Total, Non-Federal Funds | 404,600 | -- | 407,000 | -- | 407,000 | -- |
| Total, Foreign Agricultural Service | 128,780,428 | 761 | 131,734,000 | 745 | 122,900,000 | 753 |
| General Sales Manager: | | | | | | |
| Transfer from CCC | 5,098,000 | 70 | 4,668,000 | 70 | -- | -- |
| Direct Appropriation | -- | | -- | | 4,772,000 | 70 |
| Credit Reform Funds From Other Accounts | | | | | | |
| CCC Export Loans Program Account | 2,731,000 | 51 | 2,731,000 | 51 | 2,792,000 | 51 |
| P.L. 480 Program Account | 1,242,000 | 24 | 1,467,000 | 24 | 1,500,000 | 24 |
| Total, General Sales Manager | 9,071,000 | 145 | 8,866,000 | 145 | 9,064,000 | 145 |

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## FOREIGN AGRICULTURAL SERVICE
## OFFICE OF THE GENERAL SALES MANAGER

### Permanent Positions by Grade and Staff-Year Summary

1992 and Estimated 1993 and 1994

| | 1992 | | | 1993 | | | 1994 | | |
|---|---|---|---|---|---|---|---|---|---|
| Grade | Head-Quarters | Field | Total | Head-Quarters | Field | Total | Head-Quarters | Field | Total |
| ES-6 | 1 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 |
| ES-5 | 4 | -- | 4 | 4 | -- | 4 | 4 | -- | 4 |
| ES-2 | 2 | -- | 2 | 2 | -- | 2 | 2 | -- | 2 |
| ES-1 | 1 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 |
| GS/GM-15 | 25 | -- | 25 | 25 | -- | 25 | 25 | -- | 25 |
| GS/GM-14 | 59 | -- | 59 | 57 | -- | 57 | 59 | -- | 59 |
| GS/GM-13 | 94 | -- | 94 | 90 | -- | 90 | 92 | -- | 92 |
| GS/GM-12 | 102 | -- | 102 | 98 | -- | 98 | 100 | -- | 100 |
| GS/GM-11 | 47 | -- | 47 | 43 | -- | 43 | 45 | -- | 45 |
| GS/GM-10 | 2 | -- | 2 | 2 | -- | 2 | 2 | -- | 2 |
| GS/GM-9 | 41 | -- | 41 | 39 | -- | 39 | 39 | -- | 39 |
| GS/GM-8 | 13 | -- | 13 | 13 | -- | 13 | 13 | -- | 13 |
| GS/GM-7 | 58 | -- | 58 | 58 | -- | 58 | 58 | -- | 58 |
| GS/GM-6 | 51 | -- | 51 | 51 | -- | 51 | 51 | -- | 51 |
| GS/GM-5 | 24 | -- | 24 | 24 | -- | 24 | 24 | -- | 24 |
| GS/GM-4 | 15 | -- | 15 | 15 | -- | 15 | 15 | -- | 15 |
| GS/GM-3 | 2 | -- | 2 | 2 | -- | 2 | 2 | -- | 2 |
| GS/GM-2 | 1 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 |
| Other Graded Positions | 88 | 125 | 213 | 88 | 125 | 213 | 88 | 125 | 213 |
| Ungraded Positions | 2 | 149 | 151 | 2 | 149 | 151 | 2 | 149 | 151 |
| Total Permanent Positions | 632 | 274 | 906 | 616 | 274 | 890 | 624 | 274 | 898 |
| Unfilled Positions end-of-year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total, Permanent Employment, end-of-year | 632 | 274 | 906 | 616 | 274 | 890 | 624 | 274 | 898 |
| Staff-Years | 632 | 274 | 906 | 616 | 274 | 890 | 624 | 274 | 898 |

# FOREIGN AGRICULTURAL SERVICE
# OFFICE OF THE GENERAL SALES MANAGER

## CLASSIFICATION BY OBJECTS

1992 and Estimated 1993 and 1994

| Personnel Compensation: | 1992 | 1993 | 1994 |
|---|---|---|---|
| Headquarters | 35,844,965 | 36,727,000 | 37,576,000 |
| Field | 19,005,791 | 19,540,000 | 20,671,000 |
| 11 Total personnel compensation | 44,290,997 | 44,552,000 | 46,126,000 |
| 12 Personnel benefits | 10,103,897 | 11,220,000 | 11,599,000 |
| 13 Benefits for former personnel | 455,862 | 495,000 | 522,000 |
| Total pers. comp. & benefits | 54,850,756 | 56,267,000 | 58,247,000 |
| Other Objects: | | | |
| 21 Travel | 4,456,010 | 4,033,000 | 3,833,000 |
| 22 Transportation of things | 1,470,184 | 1,321,000 | 1,242,000 |
| 23.2 Rental payments to others | 7,630,065 | 8,383,000 | 8,247,000 |
| 23.3 Communications, utilities and misc. charges | 3,305,058 | 3,573,000 | 3,360,000 |
| 24 Printing and reprod. | 1,234,776 | 1,118,000 | 1,034,000 |
| 25 Other services | 45,537,095 | 49,957,000 | 40,387,000 |
| 26 Supplies and materials | 2,238,549 | 1,575,000 | 1,542,000 |
| 31 Equipment | 2,433,694 | 487,000 | 169,000 |
| 42 Insurance claims and indemnities | 209,774 | 80,000 | 97,000 |
| Total other objects | 68,515,205 | 70,527,000 | 59,911,000 |
| Total direct obligations | 123,365,961 | 126,794,000 | 118,158,000 |

| Position Data: | | | |
|---|---|---|---|
| Average Salary, ES positions | 102,250 | 105,829 | 109,533 |
| Average Salary, FO positions | 73,700 | 76,280 | 78,949 |
| Average Salary, GM/GS positions | 46,940 | 48,583 | 50,283 |
| Average Grade, GM/GS positions | 11.0 | 11.0 | 11.0 |

FOREIGN AGRICULTURAL SERVICE
OFFICE OF THE GENERAL SALES MANAGER

The estimates include appropriation language for this items as follows (new language underscored; deleted matter enclosed in brackets):

Foreign Agricultural Service:

For necessary expenses of the Foreign Agricultural Service, including carrying out title VI of the Agricultural Act of 1954, as amended (7 U.S.C. 1761-1768), market development activities abroad, and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, including not to exceed $125,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), [$110,023,000] $109,094,000: Provided, That this appropriation shall be available to obtain statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis.

Funds appropriated to this account are available for administrative expenses and equipment purchases previously funded by the Commodity Credit Corporation. Hereafter no funds may be made available for these purposes other than those provided in appropriation Acts.

This change restricts the use of CCC funds for administrative expenses and equipment purchases.

General Sales Manager (Including transfers of funds):

For necessary expenses of the Office of the General Sales Manager,
1 [$8,866,000] $9,064,000, of which [$4,668,000 may be transferred from Commodity Credit Corporation funds, $2,731,000] $2,792,000 may be transferred from the Commodity Credit Corporation Program Account in this Act, and [$1,467,000] $1,500,000 may be transferred from the Public Law 480 Program
2 Account in this Act. [Of these funds, up to $4,000,000 shall be available only for the purpose of selling surplus agricultural commodities from Commodity Credit Corporation inventory in world trade at competitive prices for the purpose of regaining and retaining our normal share of world markets. The General Sales Manager shall report directly to the Secretary of Agriculture. The General Sales Manager shall obtain, assimilate, and analyze all available information on developments related to private sales, as well as those funded by the Corporation, including grade and quality as sold and as delivered, including information relating to the effectiveness of greater reliance by the General Sales Manager upon loan guarantees as contrasted to direct loans for financing commercial export sales of agricultural commodities out of private stocks on credit terms, as provided in titles I and II of the Agricultural Trade Act of 1978, Public Law 95-501, and shall submit quarterly reports to the appropriate committees of Congress concerning such
3 developments.] Funds appropriated to this account are available for administrative expenses and equipment purchases previously funded by the Commodity Credit Corporation. Hereafter no funds may be made available for these purposes other than those provided in appropriations Acts.

The first change reflects the direct appropriation of funds to the General Sales Manager, which were previously transferred from the Commodity Credit Corporation.

The second change deletes restrictive language contained in the appropriations act.

The third change restricts the use of CCC funds for administrative expenses and equipment purchases.

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## FOREIGN AGRICULTURAL SERVICE

| | | |
|---|---|---|
| Appropriations Act, 1993 | | $110,023,000 |
| Budget Estimate, 1994 | | 109,094,000 |
| Decrease in Appropriation | | -929,000 |
| Adjustments in 1993 | | |
| Appropriations Act, 1993 | $110,023,000 | |
| Transfer from Commodity Credit Corporation for CCC Computer Facility and ADP costs a/ | +7,905,000 | |
| Adjusted base for FY 1993 | | 117,928,000 |
| Budget Estimate, Current Law, 1994 | | 109,094,000 |
| Decrease over adjusted 1993 | | -8,834,000 |

a/ Reflects direct appropriation transfer of $7,487 thousand for the operation of the CCC Computer Facility and related ADP Costs previously funded from CCC and $418 thousand for personnel costs previously funded from ASCS.

### SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

| Item of Change | 1993 Estimated | Pay Cost | Other Changes | 1994 Estimated |
|---|---|---|---|---|
| Foreign Agricultural Affairs | $37,513,000 | +$343,000 | -$76,000 | $37,780,000 |
| Foreign Market Information and Access | 25,554,000 | +344,000 | +11,000 | 25,909,000 |
| Foreign Market Development | 54,861,000 | +497,000 | -9,953,000 | 45,405,000 |
| Total Available | 117,928,000 | +1,184,000 | -10,018,000 | 109,094,000 |

### PROJECT STATEMENT
(On basis of adjusted appropriation)

| | 1992 Actual | | 1993 Estimated | | Increase or Decrease | | 1994 Estimated | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Staff-Years | Amount | Staff-Years | | | Amount | Staff-Years |
| 1. Foreign Agricultural Affairs | $36,853,476 | 302 | $37,513,000 | 302 | +$267,000 | (1) | $37,780,000 | 302 |
| 2 Foreign Market Information and Access | 22,693,518 | 262 | 25,554,000 | 246 | +355,000 | (2) | 25,909,000 | 254 |
| 3 Foreign Market Development | 54,247,967 | 195 | 54,861,000 | 195 | -9,456,000 | (3) | 45,405,000 | 195 |
| 4 AmeriFlora '92 Exposition | 500,000 | -- | -- | -- | -- | | -- | -- |
| Unobligated Balance | 479,039 | -- | -- | -- | -- | | -- | -- |
| Total available or estimate | 114,774,000 | 759 | 117,928,000 | 743 | -8,834,000 | | 109,094,000 | 751 |
| Transfer from CCC and ASCS for ADP and Computer Center | -4,251,000 | -- | -7,905,000 | -- | | | | |
| Total Appropriation | 110,523,000 | 759 | 110,023,000 | 743 | | | | |

EXPLANATION OF PROGRAM

The Foreign Agricultural Service appropriation funds the activities authorized by the Agricultural Act of 1954 (P.L. 690), as amended, and the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended. The activities carried out are as follows:

FOREIGN AGRICULTURAL AFFAIRS - This program area conducts activities contributing to five major objectives. The objectives and their respective workload and achievement indices are as follows:

1. Collecting, interpreting and analyzing marketing, economic and trade information from foreign areas essential to the administration of U.S. foreign agricultural policies and programs; this information is disseminated to farmers for use in planning and marketing decisions. Counselors and attaches submit approximately 5,500 reports annually on production, marketing, economic and trade information.

2. Providing guidance and field supervision to cooperators implementing market development and related projects overseas. Annually, counselors and attaches provide over 3,200 trade leads and write tens of thousands of letters and faxes responding to inquiries regarding U.S. and host country agriculture.

3. Representing global U.S. agricultural trade policy interests, with particular emphasis on obtaining improved access for U.S. farm exports. An estimated 1,100 special trade access communications are sent each year containing direct support for the U.S. export trade.

4. Contributing mission support including guidance and assistance to agricultural development programs in less-developed friendly countries. As members of Embassy country teams, counselors and attaches provide technical guidance on U.S. agricultural developments.

5. Providing representation at international meetings, assistance to U.S. delegates attending international agricultural fora, and service to other USDA agency programs.

FOREIGN MARKET INFORMATION AND ACCESS - This activity consists of two program areas--commodity programs and international trade policy. These functions, their related objectives, and their respective workload and achievement indices are discussed below.

The program areas prepare and disseminate approximately 130 commodity circulars covering over 100 commodities, 12 World Agricultural Production reports, four issues of the Outlook for U.S. Agricultural Exports published jointly with the Economic Research Service, the monthly Agricultural Trade Highlights and make a major contribution to the USDA's 12 World Agricultural Supply and Demand Estimates reports. In addition to published documents, numerous current information reports and ad hoc analyses are prepared for internal use by the Administrator and other policy officials of the Department. These reports include the Desk Top Guide to U.S. Agricultural Trade, the country financial risk analysis for potential countries eligible for GSM credit programs, and daily/weekly commodity Price and Key Developments reports and the weekly Export Enhancement Program update report.

1. Commodity Programs - This program area conducts activities contributing to six major objectives. The objectives addressed and, where feasible, their respective workload and achievement indices are as follows:

   a. Providing American farmers, traders, agribusiness leaders, and policy makers with timely estimates and forecasts of world agricultural production. These areas also provide primary input to commodity program

operations and prepare the monthly World Agricultural Production report. These ongoing programs involve preparation of monthly estimates of major field crops, biannual estimates of horticultural and tropical crops and annual estimates of forest products and livestock production.

b. Providing analysts and counselors/attaches with current information on the existence, extent, and probable impact of weather-related events on foreign crop conditions.

c. Providing American farmers, traders, and agribusiness leaders with timely and accurate information on world supply and demand of U.S. agricultural products. Data analyses of factors such as trade potential, prices, supply, consumption, and overall demand are conducted by commodity specialists. The impact these factors have upon U.S. agricultural exports and market development activities are a particular focus of the commodity programs area. These analyses are distributed on a timely basis to the U.S. agricultural community through FAS circular publications, participation in trade and business conferences and meetings, and U.S. trade organizations.

d. Providing U.S. Government policymakers adequate information with which to make decisions regarding U.S. and international agricultural interests. Advanced economic analyses are conducted to examine the data and produce short-term commodity forecasts, commodity status summaries and market potential assessments on a country and area basis. These data are utilized as key inputs in the decisionmaking process regarding domestic farm policies, foreign trade negotiations and agreements, and market development programs.

e. Fulfilling U.S. legislative requirements:

(1) Day-to-day administration of the Meat Import Act (P.L. 96-177) in cooperation with the U.S. Customs Service and such other special actions as are necessary.

(2) Administration of quota cheese pricing limitations prescribed in Section 702 of the Trade Agreements Act of 1979 (P.L. 96-39).

(3) Analysis and evaluation of the role of sugar in world trade patterns.

(4) Market development and commodity analysis for the Market Promotion Program mandated in Section 203 of the Agricultural Trade Act of 1978, as amended.

(5) Market development and commodity analysis for the Export Enhancement Program, the Dairy Export Incentive Program, the Sunflowerseed Oil Assistance Program, and the Cottonseed Oil Assistance Program.

f. Providing support and services to an export expansion effort conducted in cooperation with commodity associations, State Departments of Agriculture and private exporters to the benefit of the U.S. agricultural sector. Special studies are made on a country, region, and world basis for assigned commodities to identify market opportunities, to determine the likely impact of competition from other countries, and to plan strategic promotional activities to enhance U.S. agricultural exports. Virtually every U.S. farm product entering world trade is promoted by one of the market development activities supported by commodity programs.

The information contained in these analyses is collected via a comprehensive agricultural attache reporting system, analyzed in a timely manner, and promptly reported to domestic producers, exporters, policymakers, the public and other interested users. Particular emphasis

is placed on disseminating current information on foreign market situations and forecasting trends in foreign agricultural supply and demand.

Special studies are made on a country, area, foreign and world basis for assigned commodities to identify market opportunities, and determine the likely impact of competition from other commodities and countries on U.S. exports. Also, economic analyses are made covering weekly reports submitted by exporters showing their shipments to date and outstanding sales.

2. International Trade Policy - This program area conducts activities contributing to the following major objectives:

a. Supporting bilateral and multilateral representations and negotiations focused on reducing trade barriers to U.S. agricultural exports and preserving concessions obtained in trade negotiations.

b. Providing support to the United States Trade Representative (USTR) in conducting and implementing results of trade negotiations and in managing domestic complaint mechanisms.

c. Initiating and supporting work activities on trade and commodity issues that arise in international fora such as GATT, OECD, UNCTAD and FAO so as to facilitate U.S. agricultural exports.

d. Administering U.S. agricultural import policies under Section 22 and other domestic legislation in ways which will be consistent with the purposes and requirements of the statutes and will minimize the effects of U.S. import restrictions upon FAS efforts to expand U.S. agricultural exports.

e. Supporting the development of new U.S. legislation to facilitate U.S. exports or defend U.S. producers against unfair trade practices and harmful competition.

f. Maintaining a Food Safety and Technical Office to help protect U.S. rights under the Standards Code, providing information on Code benefits, and helping citizens to comment on foreign proposals for new standards-related laws.

g. Assisting agricultural exporters who need foreign market information as well as those who believe they have been injured by unfair trade practices, and coordinating reports on foreign agricultural export assistance and market opportunities for U.S. agricultural exporters through the Trade Assistance and Planning Office.

h. Improving the quality and timeliness of agricultural counselor/attache reporting and exchanging of information between Washington-based analysts and overseas counselors/attaches; and substantially increasing the timeliness of information to the U.S. trade using the Global Economic Data Exchange System.

i. Providing American farmers, traders, agribusiness leaders, and policy makers with information on U.S. and foreign trade, economic indicators, and tariff and other restrictions affecting trade.

j. Monitoring and reporting on exports of selected U.S. agricultural commodities.

FOREIGN MARKET DEVELOPMENT - Provides funding so that industry groups working in concert with FAS, or FAS working alone, may conduct market development activities The major objectives and applicable achievements are as follows

1. Enabling producers and other sectors of the U.S. economy to jointly and systematically develop and expand overseas markets. In 1954, the Foreign Agricultural Service (FAS) was authorized to begin using foreign currencies generated by the Public Law 480 program to finance overseas market promotion activities for U.S. farm commodities. Since that time, FAS has spent about $591 million to finance the foreign market development program, which has contributed to the increase in U.S. farm exports from $3.1 billion in fiscal year 1955 to $42.3 billion in fiscal year 1992. The program is jointly sponsored with nonprofit private trade and producer associations in this country (U.S. cooperators) which have generated approximately $1.25 billion in contributions to more than match the $591 million contributed by FAS.

   Under the auspices of FAS' long-term Foreign Market Development program, FAS is currently participating with 35 cooperators, four state regional organizations and the National Association of State Departments of Agriculture in sponsoring continuous and long-term projects. FAS also assists supporting 56 permanently staffed cooperator offices overseas which conduct promotion activities in more than 130 foreign markets.

   Complementing the long-term Foreign Market Development Program is the Market Promotion Program (MPP) mandated by Section 203 of the Agricultural Trade Act of 1978, as amended. The MPP provides promotional assistance for U.S. agricultural products including those U.S. agricultural products whose exports have been hurt by unfair foreign trade practices. The number of participating trade organizations totals 72, of which 15 program participants are new to joint-industry market development programs overseas. An additional 375 U.S. private firms are also expected to participate in the 1993 MPP program through four regional state organizations as part of a high value export program that promotes processed, brand identified products. During the three years of the MPP, $548 million has been allocated to partially reimburse the costs of conducting over 5,000 activities worldwide.

2. Conducting trade fairs and food exhibits to enhance the image of U.S. food products overseas by using product displays, point-of-purchase activities to draw consumer attention to quality U.S. food products, sales teams, and providing other assistance designed to link potential buyers with U.S. exporters.

3. FAS has established Agricultural Trade Offices in the major markets of South America, Europe, Africa, Asia and the Middle East to help U.S. exporters compete by supplying up-to-the-minute information on potential customers and promotional opportunities. U.S. exporters or representatives of trade associations, export cooperatives or state departments of agriculture use these trade offices as home bases while overseas. There are currently fifteen Agricultural Trade Offices located in London, England; Hamburg, Germany; Hong Kong; Singapore; Seoul, Korea; Manama, Bahrain; Mexico City, Mexico; Caracas, Venezuela; Beijing and Guangzhou, the People's Republic of China; Tunis, Tunisia; Jeddah, Saudi Arabia; Algiers, Algeria; and Osaka and Tokyo, Japan

REVIEWS COMMENCED DURING FY 1992

GAO Reviews

| | | |
|---|---|---|
| Code 483631 | Trade and Investment Reforms in Chile | Review of foreign standards |
| Code 150110 | Evaluation of Government and Industry Efforts to Develop New Markets for Dairy Products | Review of program effectiveness |
| Code 483647 | Review of Multilateral Trade Negotiations on Agriculture | Review of program administration |

| | | |
|---|---|---|
| Code 472279 | Use of Limited Career Extensions (LCE's) in the Foreign Service | Review of agency management |
| Code 280003 | Overall Management of FAS | Review of agency management |
| Code 472290 | Review of U.S. Participation in the United Nations Food and Agriculture Organization (FAO) | Review of program administration |
| Code 280018 | Review of Generalized System of Preferences Program | Review of program effectiveness |
| Code 150902 | Forest Product Competitiveness | Review of trade opportunities |
| Code 280022 | North American Free Trade Agreement: Snapback Tariff and Its Implications | Review of trade opportunities |
| Code 150614 | U.S. vs. Foreign Inspection Standards | Review of program administration |
| Code 280027 | Review of MERCOSUR's Trade and Investment Reforms | Review of trade opportunities |

OIG Audits

| | | |
|---|---|---|
| 07020-5-Hy | Survey of Market Promotion Program | Survey of program administration |
| 50600-8-At | World Market Prices for Cotton and Rice | Review of trade opportunities |
| 50099-35-AT | Audit of Departmental Compliance with PL 101-121 (Byrd Amendment) | Review of agency management |

REVIEWS COMPLETED DURING FY 1992

GAO Reviews

| | | |
|---|---|---|
| Code 483547 | Agricultural Trade: Cooperator Conflict of Interest Regulation Needs Strengthening | Review of program management |
| Code 483555 | Drug Policy and Agriculture: U.S. Trade Impacts of Alternative Crops to Andean Coca | Review of implementation of legislation |
| Code 468300 | Review of U.S. Economic Assistance to El Salvador | Evaluation of program effectiveness |
| Code 150900 | Marketing Timber for Export | Review of U.S. timber marketing |
| Code 150901 | Generic Research and Promotion Orders for the Fruit and Vegetable Industry | Review of program effectiveness |

| | | |
|---|---|---|
| Code 973305 | Accuracy of USDA's Forecasts and Estimates of Meat Production, Prices and Inventories | Review of program administration |
| Code 150019 | Evaluation of Wheat Prices | Review of program effectiveness |
| Code 462605 | Review of Staffing and Organization Issues at U.S. Embassies and Consulates in Japan and Korea | Review of agency management and effectiveness |
| Code 150108 | Survey of Government Programs and Industry Efforts to Develop Markets for Dairy Products | Review of trade opportunities |
| Code 483620 | Export Promotion: Federal Programs Lack Organizational and Funding Coheaiveness | Review of program administration |
| Code 966505 | Review of Total Quality Management in the Federal Government | Review of program management |

OIG Audits

| | | |
|---|---|---|
| 50568-445-SF | A-128 Audit Report on the State of Alaska | Program audit |
| 07545-01-Hy | Preaward Audit - LNK Corp. | Review of management practices |
| 50568-471-SF | A-128 Audit Report on the State of Alaska for the Fiscal Year Ended 6/30/90 | Program audit |
| 07020-2-Hy | Participant Contributions Under TEA and FMD Programs | Review of program administration |
| 07091-01-Hy | FAS Sugar Re-export Program | Review of program administration |
| 50099-67-HY | Usage of Section 32 Import Duty Funds | Review of program administration |
| 07080-1-Hy | Export Sales Reporting System | Review of program administration |
| 50568-387-SF | Alaska Seafood Marketing Institute TEA Program | Program audit |
| HY-719-1 | DBA Maryland Promotions - Fraud | Program investigation |

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $267,000 for Foreign Agricultural Affairs ($37,513,000 available in FY 1993) consisting of:

(a) An increase of $1,151,000 for overseas wage and price increases.

Need for Change: This increase will support our existing offices at the current levels. During fiscal year 1993, the results of a review of our world-wide Attache and Counselor configuration were implemented which included the closure of three offices, downsizing of six others and transferring resources to three other offices. To achieve additional economies, overseas office budgets were reduced by 2 percent

While FAS continues to aggressively pursue a cost reduction strategy, world-wide increases for inflation and higher Foreign Services National wages, as projected by the Department of State, are expected to increase aggregate overseas operating costs by 7 percent.

Nature of Change: Fiscal year 1994 post financial plans will be increased to offset the combined effects of inflation and higher FSN wages which are estimated by the Department of State to total 7 percent.

This increase will allow existing offices to be maintained at current levels.

(b) An increase of $343,000 which reflects the annualization of the fiscal year 1993 pay raise and anticipated lump-sum separation payments for accrued annual leave.

(c) A decrease of $1,227,000 for administrative efficiency.

Need for Change. To implement the President's Executive Order, to reduce overhead-type outlays from the fiscal year 1993 baseline, by 3 percent in fiscal year 1994, 6 percent in fiscal year 1995, 9 percent in fiscal year 1996 and 14 percent in fiscal year 1997, budget authority in 1994 must be reduced by $1,227,000.

Nature of Change. In order to achieve this savings, FAS will initiate action to reduce spending, both domestically and overseas, in travel, training, procurement and other administrative areas where the agency has the discretion to reduce spending from current levels.

(2) An increase of $355,000 for Foreign Market Information and Access ($25,554,000 available in fiscal year 1993) consisting of:

(a) An increase of $344,000 which reflects the annualization of the fiscal year 1993 pay raise and anticipated lump-sum separation payments for accrued annual leave.

(b) A decrease of $236,000 for administrative efficiency.

Need for Change. To implement the President's Executive Order, to reduce overhead-type outlays from the fiscal year 1993 baseline, by 3 percent in fiscal year 1994, 6 percent in fiscal year 1995, 9 percent in fiscal year 1996 and 14 percent in fiscal year 1997, budget authority in 1994 must be reduced by $236,000.

Nature of Change. In order to achieve this savings, FAS will initiate action to reduce spending, both domestically and overseas, in travel, training, procurement and other administrative areas where the agency has the discretion to reduce spending from current levels.

(c) A decrease of $4,000 for FTS 2000 funding. This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

(d) An increase of $251,000 for increased costs of operating the CCC Computer Facility and other ADP costs.

(3) An decrease of $9,456,000 for Foreign Market Development ($54,861,000 available in fiscal year 1993) consisting of:

(a) An increase of $497,000 which reflects the annualization of the fiscal year 1993 pay raise and anticipated lump-sum separation payments for accrued annual leave.

(b) An increase of $493,000 for overseas wage and price increases.

Need for Change: This increase will support existing Agricultural Trade Offices (ATO's) at current levels. During fiscal year 1993, the results of a review of our world-wide ATO configuration were implemented which included downsizing two offices. To achieve additional economies, ATO budgets were reduced by 2 percent.

While FAS continues to aggressively pursue an overseas cost reduction strategy, world-wide increases for inflation and higher Foreign Services National wages, as projected by the Department of State, are expected to increase aggregate overseas operating costs by 7 percent.

Nature of Change: Fiscal year 1994 ATO financial plans will be increased to offset the combined effects inflation and higher FSN wages currently estimated by the Department of State to which will allow existing offices to be maintained at current levels.

(c) A decrease of $10,000,000 in Cooperator Program funding.

Need for Change: Due to the need to reduce the Federal deficit, the government's historical contribution level to this cost-sharing program must be reduced from 50 percent to 33 percent.

Nature of Change: Federal funds used to support administrative expenses for participants in established markets will be scaled down. Federal support will focus on participant expansion into less developed areas of the world where the greatest market development potential exists.

(d) A decrease of $446,000 for administrative efficiency.

Need for Change. To implement the President's Executive Order, to reduce overhead-type outlays from the fiscal year 1993 baseline, by 3 percent in fiscal year 1994, 6 percent in fiscal year 1995, 9 percent in fiscal year 1996 and 14 percent in fiscal year 1997, budget authority in 1994 must be reduced by $446,000.

Nature of Change. In order to achieve this savings, FAS will initiate action to reduce spending, both domestically and overseas, in travel, training, procurement and other administrative areas where the agency has the discretion to reduce spending from current levels.

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## Foreign Agricultural Service

**GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS**

**1992 and Estimated 1993 and 1994**

| | 1992 | | 1993 | | 1994 | |
|---|---|---|---|---|---|---|
| | Amount | Staff-Years | Amount | Staff-Years | Amount | Staff-Years |
| District of Columbia | 44,713,164 | 498 | 44,701,000 | 482 | 45,976,000 | 490 |
| Overseas | 69,581,797 | 263 | 73,227,000 | 263 | 63,118,000 | 263 |
| Total Available or Estimate | 114,294,961 | 761 | 117,928,000 | 745 | 109,094,000 | 753 |

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## FOREIGN AGRICULTURAL SERVICE

### STATUS OF PROGRAM

U.S. agricultural exports are expected to reach $42.3 billion in fiscal year 1992, rising to their highest level in 11 years. Gains were made in bulk products, especially wheat and soybeans, and in high-value products, such as horticultural and animal products. U.S. grain sales were up nearly $2 billion with gains attributed to higher sales under the CCC export credit guarantee programs, especially to the former Soviet Union. Exports of semi-processed and other intermediate products are headed for an all-time high. For consumer-oriented products, records are expected in virtually every category, including meats, dairy products, fruits, and vegetables.

There was strong growth in U.S. exports to Mexico as a result of Mexican policies that increased market access for U.S. farm products. U.S. exports to Canada grew by 9 percent hoisted by sales of horticultural products, and U.S. agricultural exports to Asia increased by more than 7 percent. Japan continues to be the largest export market, where U.S. farm products showed gains across the board, especially meat and horticultural products. U.S. export sales to the four tiger nations--Taiwan, Korea, Singapore, and Hong Kong--rose by $300 million.

Current Activities: The Foreign Agricultural Service's (FAS) network of agricultural counselors, attaches, and trade officers serves as U.S. agriculture's front line in international markets. Overseas officers have successfully defended U.S. agricultural interests against the adverse actions of foreign governments, have protected or improved access for U.S. products, and have provided a wealth of world agricultural trade and production information.

To help expand trade in high potential markets, FAS opened Agricultural Trade Offices in Osaka, Japan, and in Mexico City, Mexico. To help cover Eastern Europe, an office was opened in Sofia, Bulgaria. The agricultural office in Panama was closed due to budget constraints, and the office in Belgrade, Yugoslavia was closed because of the civil war there.

The fiscal year 1992 Market Promotion Program (MPP), authorized by the Food, Agriculture, Conservation and Trade Act of 1990, provided $200 million of Commodity Credit Corporation funds to help U.S. producers and other organizations finance promotional activities for U.S. agricultural products. The MPP helps develop new markets and increase U.S. agricultural exports. Similarly, the fiscal year 1992 Foreign Market Development program (Cooperator program), authorized by the Agricultural Act of 1954, operated to create, expand, and maintain markets abroad for U.S. agricultural commodities. Both programs have been instrumental in the past year supporting the U.S. agricultural export effort.

The Export Enhancement Program (EEP) encourages the export of U.S. agricultural commodities in targeted markets by making their prices competitive with the subsidized exports of other countries. The program has increased exports, challenged unfair trade practices of competitors, and pressured trading partners to negotiate to reduce trade barriers and trade-distorting subsidies. In fiscal year 1992, agricultural export sales under the EEP were valued at more than $3.0 billion.

A total of $968.2 million in bonuses was awarded to exporters to help U.S. agricultural products be competitive in many major markets. For the first time, FAS announced EEP initiatives in multi-country packages to help speed up the process and provide a more stable marketing environment for U.S. commodities. U.S. exporters also were awarded $76 million in bonuses for sales of dairy products under the Dairy Export Incentive Program (DEIP). Under the Sunflowerseed Oil Assistance Program (SOAP), sales in 1992 rose over 300 percent to more than $121 million. Sales under the Cottonseed Oil Assistance Program (COAP) rose 20 percent to nearly $21 million.

Export credit guarantee programs help assure the availability of credit to finance commercial U.S. agricultural exports. In fiscal year 1992, USDA registered $5.7 billion in export sales, the highest level since the inception of these programs.

P.L. 480, which authorizes both concessional credit and direct grants, supported exports of 5.9 million metric tons of U.S. agricultural commodities, valued at $1.1 billion. Title I concessional sales amounted to 2.3 million tons valued at $374 million; Title II humanitarian grants, 2.1 million tons valued at approximately $467 million; and Title III developmental grants, 1.5 million tons valued at $241 million. Under the Food for Progress program over 480 thousand metric tons of commodities were supplied to 10 countries with a commodity value of about $127 million. In addition, 1.7 million tons of commodities, with an estimated export value of over $300 million, were approved for donation overseas under the Section 416 (b) program. The value of agricultural commodities provided under these programs totaled $1.4 billion.

The United States, Mexico, and Canada reached agreement on a North American Free Trade Agreement (NAFTA). If NAFTA is approved by Congress, it will eliminate most trade barriers among the three nations. U.S. agricultural exports to Mexico in fiscal year 1992 have risen 27 percent and exports to Canada rose 9 percent. A NAFTA will mean an estimated $1.5 to $2 billion annual boost for U.S. farm exports to Mexico alone, giving U.S. producers more market access and generating new jobs and trade for the United States.

The United States continued to press for global reform of agricultural trade in the Uruguay Round negotiations under the General Agreement on Tariffs and Trade (GATT). The United States also signed a new GATT 11 trade accord with Japan which will mean an estimated $75 million to $95 million in extra sales for U.S. farmers and producers over the next three years, especially in corn, dairy products, and dietary supplements.

FAS continues to provide support to the former Soviet Union as nations there struggle to move to market-oriented economies. The USDA-FAS Soviet Secretariat coordinated USDA assistance activities, monitored trade, and provided assistance to U.S. exporters. In fiscal year 1992, $2.6 billion in export credit guarantees were announced to encourage the purchase of U.S. agricultural products by the former USSR. Program guidelines under the EEP, DEIP, and SOAP have been broadened to allow for nontraditional trade flows, such as barter. Over $150 million dollars were allocated for humanitarian food assistance under the Food for Progress program and Section 416 (b) of the Agricultural Act of 1949. USDA is also conducting technical assistance programs in the former USSR such as a model farm, the development of wholesale markets, agricultural extension projects, and a loaned executive program, in which U.S. executives work with managers in agricultural-related industries.

SUMMARY OF AGRICULTURAL TRADE

U.S. agricultural exports are expected to dip $800 million in fiscal year 1993 to $41.5 billion, largely due to lower prices for corn and soybeans, and reduced cotton exports. Little change is expected in export volume in fiscal year 1993, but increased world production of grains and oilseeds is expected to result in lower prices. In total, export value for grains and products, oilseeds and products, and cotton is expected to fall by $1.3 billion. High-value product (HVP) exports are expected to increase for the eighth consecutive year in fiscal year 1993. Horticultural and animal product exports are expected to reach new records in 1993, but grow at a slower rate than in fiscal year 1992. Together, exports of horticultural and animal products rose $1.8 billion in 1992, and a $600 million increase is forecast for fiscal year 1993.

U.S. imports of agricultural products are expected to be slightly lower in fiscal year 1993, projected at $24 billion. Imports are expected to fall $300 million from fiscal year 1992's record $24.3 billion. Lower tobacco imports are expected to more than offset slight gains in other products. With exports falling more than

imports in fiscal year 1992, the U.S. agricultural trade surplus is projected to drop $500 million to $17.5 billion.

U.S. Agricultural Trade, Fiscal Year 1989-1993

| | 1989 | 1990 | 1991 | 1992 | 1993 Forecast |
|---|---|---|---|---|---|
| | (Billion Dollars) | | | | |
| Exports | $ 39.6 | $ 40.1 | $ 37.5 | $ 42.3 | $ 41.5 |
| Imports | 21.5 | 22.5 | 22.6 | 24.3 | 24.0 |
| Trade Balance | $ 18.1 | $ 17.6 | $ 14.9 | $ 18.0 | $ 17.5 |
| Export Volume (MMT) | 146.4 | 148.7 | 129.4 | 143.6 | 144.0 |

Agricultural Exports:

The fiscal year 1993 forecast for U.S. wheat and flour exports is 34.5 million tons, marginally lower than the 35 million in fiscal year 1992. However, total value is up slightly to $4.5 billion, due to higher expected prices. Despite lower demand from China and the former Soviet Union, prices are expected to increase due to lower exportable supplies from competitors such as Canada and Argentina.

U.S. exports of coarse grains are expected to rise to 51.5 million tons, up from 50.2 million in fiscal year 1992. However, export value should decline almost $500 million to $5.2 billion due to lower expected prices. The record U.S. crop, a forecast 18 million ton rise in global coarse grain stocks, and a more than doubling of U.S. corn stocks are expected to sharply reduce U.S. corn prices.

The forecast for rice exports in fiscal year 1993 is unchanged from fiscal year 1992 at 2.3 million tons. However, lower prices are expected to reduce the value of exports to $700 million.

The outlook for exports of oilseeds and products is down 4 percent from actual fiscal year 1992 sales to $7.1 billion, and 2 percent lower by volume to 28.3 million tons. Soybean exports are forecast to drop more than $200 million to $4.1 billion, on lower prices but virtually unchanged volume. The weakening in unit export price reflects growing U.S. stocks coupled with a below trend growth in foreign meal demand.

Cotton exports are projected to ease to $1.8 billion from $2.2 billion in fiscal year 1992. Volume is also expected to decline to 1.3 million tons from over 1.5 million last year. The fiscal year 1993 forecast reflects sluggish world demand along with uncertain export prospects from major competitors such as China and the former USSR, whose production forecasts have been reduced, but whose export forecasts have been raised.

Exports of unmanufactured tobacco are expected to remain about the same as last year at $1.6 billion. Demand has remained strong for leaf exports in traditional U.S. markets in Asia and Europe.

The forecast fiscal year 1993 export value for livestock, poultry, and dairy is up almost $350 million from record fiscal year 1992 levels to $8.1 billion. Most of the gain is expected from beef and veal exports to Japan and Korea. Recently instituted Mexican tariffs on imported beef are expected to temper but not halt recent export growth while live cattle exports to Canada are expected to decline. Poultry exports should increase about 5 percent to $1.3 billion. Most of this gain is in sales of turkey and broiler parts to Mexico, Korea and Hong Kong, as well as $30 million of GSM-102 credit guarantees to Russia.

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Horticultural product exports are expected to reach a new record of $7.2 billion in fiscal year 1993, up more than $350 million from fiscal year 1992's record $6.85 billion level. Exports should not grow as strongly as in recent years due to higher foreign production; however, continued market liberalization in many importing countries as well as strong demand in Mexico, Canada, Japan and the EC should continue the overall growth in U.S. exports of horticultural products.

U.S. Agricultural Exports, Value by Commodity, Fiscal Years 1989-1993

| Commodity | 1989 | 1990 | 1991 | 1992 | 1993 Forecast |
|---|---|---|---|---|---|
| | (Billion Dollars) | | | | |
| Grains and Feeds 1/ | 17.1 | 16.0 | 12.5 | 14.1 | 13.4 |
| Wheat and Flour | 6.3 | 4.4 | 3.1 | 4.5 | 4.5 |
| Coarse Grains 2/ | 7.2 | 8.0 | 5.7 | 5.7 | 5.2 |
| Corn 3/ | 6.1 | 6.9 | 4.9 | 4.7 | 4.2 |
| Rice | 1.0 | 0.8 | 0.8 | 0.8 | 0.7 |
| Oilseeds and Products 1/ | 6.8 | 6.3 | 5.7 | 7.3 | 7.1 |
| Soybeans | 4.1 | 3.9 | 3.5 | 4.3 | 4.1 |
| Soybean Cake and Meal | 1.3 | 1.0 | 1.0 | 1.3 | 1.1 |
| Soybean Oil | 0.4 | 0.3 | 0.2 | 0.4 | 0.4 |
| Livestock and Products | 5.3 | 5.4 | 5.5 | 6.0 | 6.2 |
| Poultry and Products | 0.7 | 0.9 | 1.0 | 1.2 | 1.3 |
| Dairy Products | 0.5 | 0.3 | 0.4 | 0.7 | 0.6 |
| Horticultural Products | 4.1 | 5.2 | 6.0 | 6.8 | 7.2 |
| Tobacco | 1.3 | 1.4 | 1.6 | 1.5 | 1.6 |
| Cotton and Linters | 2.1 | 2.7 | 2.6 | 2.2 | 1.8 |
| Seeds | 0.5 | 0.6 | 0.6 | 0.7 | 0.7 |
| Sugar and Tropical Prod. | 1.2 | 1.4 | 1.6 | 1.7 | 1.7 |
| Total Exports | 39.6 | 40.1 | 37.5 | 42.3 | 41.5 |
| Total Imports | 21.5 | 22.5 | 22.6 | 24.3 | 24.0 |
| Trade Balance | 18.1 | 17.6 | 14.9 | 18.0 | 17.5 |

1/ Includes other products not listed below.
2/ Includes corn, oats, barley, sorghum and rye and products.
3/ Excludes products.

NOTE: Totals may not add due to rounding.

Source: Fiscal Years 1989-1992 data from U.S. Bureau of the Census;
Fiscal Year 1993 forecast from "Outlook for U.S. Agricultural Exports."

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U.S. Agricultural Exports, Volume by Commodity, Fiscal Years 1989-1993

| Commodity | 1989 | 1990 | 1991 | 1992 | 1993 Forecast |
|---|---|---|---|---|---|
| | (Million Metric Tons) | | | | |
| Wheat | 37.7 | 28.1 | 26.7 | 34.3 | 33.5 |
| Flour | 1.2 | 0.9 | 1.1 | 0.8 | 0.9 |
| Coarse Grains 1/ | 60.4 | 69.0 | 51.8 | 50.2 | 51.5 |
| Corn 2/ | 50.5 | 60.0 | 44.5 | 40.6 | 41.5 |
| Feeds, Ingredients & Fodders | 11.0 | 11.1 | 11.1 | 11.7 | 11.8 |
| Rice | 3.0 | 2.5 | 2.4 | 2.3 | 2.3 |
| Soybeans | 14.1 | 17.2 | 15.1 | 19.2 | 19.3 |
| Soybean Cake & Meal | 4.7 | 4.8 | 5.0 | 6.3 | 5.4 |
| Soybean Oil | 0.8 | 0.6 | 0.4 | 0.7 | 0.8 |
| Beef, Pork and Variety Meat | 0.7 | 0.7 | 0.7 | 0.9 | 1.0 |
| Poultry Meat | 0.5 | 0.6 | 0.6 | 0.8 | 0.8 |
| Animal Fats | 1.4 | 1.3 | 1.2 | 1.4 | 1.4 |
| Tobacco | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Cotton and Linters | 1.5 | 1.7 | 1.6 | 1.5 | 1.3 |
| Horticultural Products | 3.8 | 4.6 | 5.0 | 6.0 | 6.5 |
| Other 3/ | 4.9 | 4.3 | 4.7 | 4.9 | 4.7 |
| Total Exports 3/ | 146.4 | 148.7 | 129.4 | 143.6 | 144.0 |

1/ Includes corn, oats, barley, sorghum and rye and products.
2/ Excludes products.
3/ Includes only those commodities measured in metric tons.

NOTE: Totals may not add due to rounding.

Source: Fiscal Years 1989-1992 data from U.S. Bureau of the Census;
Fiscal Year 1993 forecast from "Outlook for U.S. Agricultural Exports."

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U.S. Agricultural Exports, Value by Region, Fiscal Years 1989-1993 1/

| Commodity | 1989 | 1990 | 1991 | 1992 | 1993 Forecast |
|---|---|---|---|---|---|
| | (Billion Dollars) | | | | |
| Western Europe | 7.1 | 7.3 | 7.3 | 7.7 | 7.9 |
| European Community 2/ | 6.6 | 6.8 | 6.8 | 7.2 | 7.4 |
| Other Western Europe | 0.5 | 0.5 | 0.5 | 0.5 | .5 |
| Eastern Europe 3/ | 0.4 | 0.5 | 0.3 | 0.2 | .3 |
| USSR (Former) | 3.3 | 2.9 | 1.7 | 2.6 | 2.1 |
| Asia | 16.4 | 16.1 | 14.6 | 16.0 | 15.3 |
| Middle East 4/ | 2.3 | 1.9 | 1.4 | 1.7 | 1.8 |
| Japan | 8.1 | 8.1 | 7.7 | 8.4 | 8.1 |
| China | 1.5 | 0.9 | 0.7 | 0.7 | .4 |
| NIC's 5/ | 4.6 | 5.2 | 4.6 | 4.9 | 5.0 |
| Other Asia 6/ | 2.1 | 1.9 | 1.6 | 2.0 | 1.8 |
| Canada 7/ | 2.2 | 3.7 | 4.4 | 4.8 | 4.7 |
| Africa | 2.3 | 1.9 | 1.8 | 2.2 | 2.3 |
| North Africa 8/ | 1.8 | 1.5 | 1.3 | 1.3 | 1.5 |
| Sub-Saharan Africa | 0.5 | 0.5 | 0.5 | 0.9 | .8 |
| Latin America | 5.4 | 5.1 | 5.5 | 6.4 | 6.7 |
| Mexico | 2.7 | 2.7 | 2.9 | 3.7 | 4.1 |
| Oceania | 0.3 | 0.3 | 0.3 | 0.4 | .4 |
| TOTAL | 39.6 | 40.1 | 37.5 | 42.3 | 41.5 |
| Developed Countries 9/ | 19.8 | 19.8 | 20.0 | 21.9 | 21.9 |
| Less Developed Countries | 16.0 | 15.9 | 14.7 | 16.8 | 16.9 |
| Centrally Planned Countries 10/ | 4.4 | 4.4 | 2.7 | 3.6 | 2.7 |

1/ Data are adjusted for transshipments through Canada and Western Europe.
2/ Includes Spain and Portugal; and East Germany in 1991 and 1992.
3/ Excludes East Germany in 1991 and 1992.
4/ Turkey, Cyprus, Syria, Lebanon, Iraq, Iran, Israel, Jordan, Gaza Strip, Kuwait, Saudi Arabia, Qatar, United Arab Emirates, Yemen (Sana), Yemen (Aden), Oman and Bahrain.
5/ Korea, Taiwan, Mongolia, Macao and Hong Kong.
6/ Afghanistan, India, Pakistan, Nepal, Bangladesh and Sri Lanka. Mongolia, Burma, Thailand, Vietnam, Laos, Malaysia, Indonesia, Brunei, Philippines, Macao, and Cambodia.
7/ Prior to January 1990, U.S. agricultural exports to Canada have been under reported by the Bureau of the Census. Data prior to January 1990 have not been adjusted.
8/ Morocco, Algeria, Tunisia, Libya and Egypt.
9/ Western Europe, Japan, Canada, Israel, Australia, New Zealand, Republic of South Africa.
10/ Includes the former Soviet Union and China.

Source: Fiscal Years 1989-1992 data from U.S. Bureau of the Census; Fiscal Year 1993 forecast from "Outlook for U.S. Agricultural Exports."

Top Markets:

The "Top 10" markets are expected to account for over 75 percent of total U.S. agricultural exports in fiscal year 1993. Japan is again projected to be the No. 1 market for U.S. agricultural products, retaining its lead over the EC. Exports to Japan should decrease $260 million to $8.1 billion, while exports to the EC in fiscal year 1993 are forecast to increase $200 million to $7.4 billion. Sales to Canada should decline by $100 million to $4.7 billion while exports to Mexico should rise $400 million, reaching $4.1 billion in fiscal year 1993.

Top Ten U.S. Agricultural Export Markets, Fiscal Year 1992-1993

| | 1992 | 1993 Forecast | % Change |
|---|---|---|---|
| | --------(Billion dollars)-------- | | |
| Japan | 8.4 | 8.1 | -3 |
| EC-12 | 7.2 | 7.4 | +3 |
| Canada | 4.8 | 4.7 | -2 |
| Mexico | 3.7 | 4.1 | +12 |
| Soviet Union (Former) | 2.7 | 2.1 | -20 |
| South Korea | 2.2 | 2.3 | +5 |
| Taiwan | 1.9 | 1.9 | 0 |
| China (PRC) | 0.7 | 0.4 | -42 |
| Hong Kong | 0.8 | 0.8 | -2 |
| Egypt | 0.7 | 0.6 | -15 |

Source: "Outlook for U.S. Agricultural Exports," December 1992.

Agricultural Imports:

U.S. agricultural imports in fiscal year 1993 are expected to decrease to $24 billion, down $300 million from their fiscal year 1992 level. The value of competitive imports, especially tobacco, is expected to decline, while noncompetitive imports should rise. Gains of about $100 million in noncompetitive imports should be led by bananas, rubber, spices, and tea.

## FOREIGN MARKET DEVELOPMENT

1. Japan. Japan is the world's largest net importer of agricultural products. Although the value of U.S. agricultural imports declined by 2 percent in 1991, the U.S. remained the top supplier of food products to Japan with a 35 percent market share. The economy remained relatively strong in 1991 with real Gross National Product (GNP) growth at 3.7 percent, steady inflation at 3.3 percent, and unemployment at a flat 2.1 percent. Import demand is expected to grow as consumption rises faster than production. Moreover, recent market liberalization and changes in the Japanese lifestyle will create new opportunities for U.S. products.

Recent examples of success in this market include:

** Promotional efforts undertaken by the California Pistachio Commission have convinced Japanese importers and retail trade of the superior quality of California pistachios. Due in part to Targeted Export Assistance/Market Promotion Program (TEA/MPP) supported activities, exports of California pistachios to Japan increased 80 percent in volume and 95 percent in value for the period September 1991 through April 1992 compared to the same period a year ago.

** Sunkist Growers, an MPP/Export Incentive Program participant launched an

extensive advertising and sales promotion program to regain its Japanese market share which had decreased as a result of the 1990/91 crop freeze. Exports of navel oranges to Japan posted a new carton sales high of 2.8 million cartons during 1991/92, which represented a 33 percent increase over the previous high.

** Japanese liberalization of beef imports in 1991, prompted the Meat Export Federation to conduct an MPP funded, multilevel campaign aimed at consumers, the trade and the retail sector. As a result, six of Japan's largest supermarket chains purchased 35 percent more U.S. beef in 1991 compared to 1990. U.S. market share also increased to 40 percent from 36 percent during the period, while the Australian and domestic market shares decreased two and four percentage points, respectively. Japan's total beef imports in 1991 were 438.5 thousand tons with U.S.-sourced product totaling 220.5 thousand tons, a 50 percent share of the market.

2. Taiwan. Taiwan has traditionally been a market for U.S. bulk and intermediate agricultural products. However, imports of consumer-oriented, high value products have risen over the past several years because of higher income levels and a 7.3 percent growth in the economy in 1991. Additionally, Taiwan established an Agricultural Adjustment Plan (1991-1997) which sets a zero growth rate target for the island's agricultural sector and aims to reduce agricultural production to the domestic demand level for essential crops and products. Continued economic growth, coupled with Taiwan's agricultural trade policy reform, should significantly increase opportunities for sales of U.S. agricultural products, particularly value-added goods, during this decade.

Examples of success in this market include:

** According to an independent survey, purchase frequency of California kiwifruit by Taiwanese consumers decreased to 10.4 times per year in 1990/91 from 13.6 times per year in 1989/90. In an effort to reverse this trend, the California Kiwifruit Commission conducted in-store promotions using MPP funds to increase consumer recognition of kiwifruit in Taiwanese retail outlets. This promotional support led to an increase in purchase frequency to 18.7 times per year for the 1991/92 season. Moreover, shipments of California kiwifruit increased 200 percent compared to year-earlier levels.

** The Western U.S. Agricultural Trade Association, a TEA/MPP participant, sponsored a retail promotion of both fresh and processed foods in Taiwanese supermarkets. During the promotion, sales of fresh fruits and vegetables increased 54 percent and grocery items, excluding U.S. beef, increased 185 percent. Sales of fresh fruits and vegetables and grocery items also registered increases in the month immediately following the promotion of 125 percent and 44 percent, respectively.

** To increase consumer awareness of premium quality U.S. Concord Grape products, the National Grape Cooperative Association conducted a sampling program in Taiwan. This MPP-supported activity helped boost 1991 sales of grape juice to the Taiwanese distributors by 42 percent compared to 1990.

3. Korea. Korea is consistently among the top 10 export markets for U.S. agricultural products. While total U.S. sales were down in 1991, exports of high value products were up 42 percent, compared to 1990. The market for high value, processed agricultural products in Korea is growing dramatically. The outlook for sustained growth in this market is encouraging as a result of extensive advertising and sales promotion program to regain its U.S. and other nations' efforts aimed at convincing Korea to liberalize its import policies and increasing consumer demand. Although certain barriers still exist, rapid income growth, an improving distribution infrastructure, and a large, young population are expected to contribute to a growing Korean market for U.S. agricultural products.

Examples of success in this market include:

** To increase wheat consumption in the Korean market, the U.S. Wheat Associates, in conjunction with a leading Korean confectionery company, developed a new food item made from wheat. Sales of this new puffed whole wheat product increased 31 percent over 1990 and are expected to soar 50 percent in 1992. This will result in an additional 7,500 tons of U.S. wheat product exports for Korea in 1992.

** The lifting of Korean trade restrictions on dry pea imports prompted the USA Dry Pea and Lentil Council (USADPLC), a Cooperator program participant, to begin active promotion in this market. To enhance consumer recognition of U.S. dry peas and lentils, the USADPLC attended the American Food Fair in Seoul where they displayed samples and distributed literature to the Korean trade. Activities such as these contributed to an eight-fold increase in U.S. dry pea exports to Korea between September 1991 and May 1992.

** With help of MPP/Export Incentive Program funds, a U.S. firm increased brand awareness of its canned sweet corn in Korea. Through product demonstrations and an extensive mail campaign which emphasized quality and a premium product, the firm tripled its sales of corn to more than 1500 cases per month.

4. Mexico. During the past six years, Mexico emerged as one of the most promising growth markets for U.S. agricultural exports. A more liberal import trading policy coupled with Mexico's entry into the General Agreement on Tariffs and Trade (GATT) and participation in the North American Free Trade Agreement translates into immediate opportunities for U.S. exports. U.S. agricultural exports are projected to increase to a record $3.7 billion in 1992, up 20 percent from 1991 levels. The best potential market sectors in Mexico are the retail markets for processed foods followed by hotel, restaurant, and institutional markets catering to the tourist and resort trades. U.S. exports of consumer-oriented, high-value products, such as red meats, fresh and processed fruits and vegetables, poultry meat, dairy products, and snack foods, are expected to quadruple in 1992, compared to average export levels in 1990/1991.

** In 1990, the Southern Forest Products Association used TEA resources to identify niche markets in Mexico and began a campaign promoting U.S. products through technical seminars, publications, and trade servicing. Just one year after the promotions, U.S. exports of southern pine to Mexico soared to a value of $5.2 million compared to $1.3 million in 1990. With the assistance of MPP funds, exports are expected to reach $15 million by the end of 1992.

** To address issues pertaining to the quality and wholesomeness of U.S. poultry products, the USA Poultry and Egg Export Council, a Cooperator program participant, sponsored a trade seminar in Mexico. Follow-up interviews with the attendees indicated that the Mexican trade achieved a better understanding of the quality and safety of U.S. products. During the first half of 1992, the volume of U.S. poultry exports to Mexico increased by 29.5 percent over the same period a year ago to total 60.8 thousand tons.

** In response to the recent elimination of oilseed duties and import licensing requirements in Mexico, the National Peanut Council organized an introductory trade seminar to present information about the U.S. peanut industry and peanut quality-control issues. The market development efforts undertaken by this Cooperator have contributed to significant increases in peanut exports to Mexico, to 10,245 metric tons in 1991 from 4,173 metric tons in 1989.

** Since the Oregon-Washington-California Pear Bureau (Bureau) began its

promotional campaign in Mexico in 1990, sales of U.S. pears have increased each season. To gain trade and consumer awareness, the Bureau used TEA/MPP funds to develop educational material and conduct in-store sampling programs. These activities have led to sales increases of 255 percent, or an equivalent 27 to 1 return on investment.

5. Former Soviet Union (FSU). The market situation in the FSU can be characterized as fluid and dynamic. Each FSU country is developing its own agricultural and trade policies. Production, supply, and distribution of agricultural products throughout the marketing chain will be affected by the adjustment of product prices to real costs of production. Opportunities for U.S. high-value food products are inhibited by consumer lack of awareness of U.S. goods and low purchasing power for imported foods. However, Westernized and affordable alternative foods, based upon the traditional Russian tastes and preferences, could offer significant potential for U.S. suppliers. Competition is high from foreign joint-venture stores backed by European and Asian food products exporters.

** In 1991, the U.S.A. Rice Council (USARC), an MPP participant, traveled to the former Soviet Union to assess the potential for U.S. rice sales to the newly independent republics. Despite certain risks and a lack of U.S. rice exports to the region since 1982, USARC developed activities to educate local officials about the benefits and advantages of U.S. rice. These efforts laid the groundwork for the first commercial sales in more than a decade, totaling 40,000 tons to the republics of Russia and Uzbekistan.

** To capitalize on the great potential for exporting U.S. sunflower oil to the FSU, the National Sunflower Association, a Cooperator program participant, sponsored a team of officials to the U.S. to learn about the h of U.S. sunflower oil registered 55,000 tons, the first purchase since 1982.

6. Germany. The size of Germany's domestic market grew by more than 25 percent to about 80 million people as a result of reunification in 1990. The united Germany is one of the world's most important trading powers. Most of the growth in Germany's agricultural imports in recent years has been accounted for by high value products. Although other EC member countries account for approximately two-thirds of its imports, Germany represents a major market for U.S. tree nuts, cotton, sunflowerseed and oil, peanuts, soybean products, and fruits and vegetables. East Germany had traditionally been an importer of U.S. bulk commodities. Imports of high value products were severely restricted. The reunification of Germany and projected economic stabilization and growth in eastern Germany is expected to lead to new opportunities for U.S. exporters of high value products.

** Point-of-sale promotions introduced by the California Table Grape Commission (CTGC), an MPP participant, in a major German retail supermarket chain resulted in sales of 14,400 cartons of California table grapes over a six week period in 1991. This effort, funded by the MPP, was CTGC's first promotion program in Germany. The jump in sales occurred despite intense competition from lower-priced European grapes.

** A distillery participating in the Kentucky Distillers Association's TEA/MPP programs increased sales of their brand of bourbon in Germany by over 60 percent, or $4.8 million, in 1991, compared to 1990. Through the use of TEA/MPP funds, the distillery was able to introduce an effective advertising and consumer promotion program.

** The Florida Department of Citrus used in-store promotions to double exports of Florida grapefruit to Germany for the 1991-1992 marketing year. The promotions concentrated on point-of-sale displays and taste-testing activities to compete with Israeli grapefruit, the largest U.S. competitor in the market, which enjoys a 30 percent price discount compared to

Florida grapefruit.

7. United Kingdom. The United Kingdom remains in its longest recession since the Second World War. Unemployment rose 2.3 percent and disposable income fell by $2 billion in 1991. Even during the current recession, the demand for consumer ready products remains strong. Consumer-ready product imports represented 47 percent of the $22 billion in agricultural imports for 1991. Despite domestic and third-country competition, the U.S. has improved its market share for many consumer-ready products. U.S. exports of apples, breakfast cereals, pet foods, and bakery products increased in 1991. The familiarity and popularity of new and unique U.S. consumer-ready foods among U.K. consumers is increasing as a result of U.S. participation in international food shows held in the U.K. and an increase in British tourism in the United States.

** In-store promotions conducted by the Alaska Seafood Marketing Institute and funded in part with MPP resources increased sales of Alaskan canned red salmon to 57,000 cases in 1991, up from 34,700 cases in 1990.

** After three years of trade servicing by the U.S. softwood lumber producers, the U.K. government has agreed to accept standard American lumber sizes for use in roofing systems. As a result, projected U.S. lumber exports to the U.K. for truss frames will increase $2.5 to $5 million in 1992. U.S. softwood lumber exports could increase to $75 million if a 30 percent share of the U.K. truss market is attained.

** In 1991, the National Peanut Council entered the U.K. market for the first time to promote in-shell peanuts. Funded in part with MPP resources, the Peanut Council worked with the leading U.K. in-shell peanut company to increase consumer and trade awareness of in-shell peanuts through U.S.-identified brand promotions. Although total in-shell import volume declined during 1991 because of a severe economic recession in the U.K., U.S. market share rose to 19 percent in 1991 compared to 16 percent in 1990.

** In marketing year 1991/92, activities conducted by Ocean Spray Cranberries Inc., an MPP/Export Incentive Program participant, increased consumer sales and improved distribution of Ocean Spray Cranberry juice in the U.K. market. Sales volume of Ocean Spray Cranberry juice grew to 1.88 million liters in 1992, up from 1.25 million liters in 1990, an increase in sales of 50 percent.

## FOREIGN AGRICULTURAL AFFAIRS
(Agricultural Attaches)

FAS Agricultural Counselors, Attaches and Officers, assigned to 75 U.S. Embassies, Consulates, and ATOS covering over 133 countries and territories, represent and promote the agricultural interests of the United States in these countries. They support and strengthen the agricultural sector of the American economy by assisting the expansion of commercial markets for United States agricultural products, providing information on a scheduled and alert basis that prepares U.S. agriculture for changes in world supply and demand conditions, and safeguards American farmers against unfair and injurious barriers and competition. Examples of recent progress include:

1. Great American Food Show Spurs Continued Growth in Japanese Imports. The largest food show ever conducted by FAS was also one of the most successful. Conducted by the Agricultural Trade Office in Tokyo, the 1992 Great American Food Show was the first solo U.S. show in Japan since 1986. The show received rave reviews from Japanese trade visitors, who numbered in excess of 12,000, and American exhibitors. Exhibitors reported over 19,000 trade inquiries during the show, including 2,100 that were deemed likely to result in sales. Twelve-month sales growth due to participation in the show was estimated by exhibitors to be

over $63 million.

2. Trade Show, Sales Trip Lead to Increased Agricultural Sales in the Persian Gulf. The Agricultural Trade Office in Manama sponsored a pavilion for U.S. representatives of 37 firms and organizations at the Middle East Food and Equipment Exhibition, also called MEFEX '92. U.S. exports were reported by exhibitors to be $25.7 million. Following the exhibition, the ATO organized a sales teams to Dubai and Kuwait. This maximized the exposure and sales potential at a minimum cost for U.S. food exporters who attended MEFEX. This U.S. food sales team reported actual and expected sales of $12 million. The USG's investment in the team was limited to approximately $9,000.

3. U.S. Forest Products Break Into Persian Gulf Market. To encourage sales of U.S. forestry products exports in the region, the Agricultural Trade Office in Manama initiated a forestry products stand at the "Rebuild Kuwait 91" Exhibition held in Bahrain in November 1991. As a result, the first-ever U.S. forest products sales group visited the Persian Gulf area. Eight U.S. exhibitors participated in the ATO stand, representing hardwood, softwood and plywood manufacturers from all over the United States. Following the Exhibition the ATO organized and led a sales team of the exhibitors to Kuwait and the United Arab Emirates. The participants reported on-site and projected sales of $1.8 million within the following 12 months.

4. U.S. Cottonseed Oil Market Recaptured. A first ever Cottonseed Oil Assistance Program (COAP) initiative for El Salvador recaptured lost U.S. market share in this important cottonseed oil market. Two initiatives of 20,000 tons each generated U.S. exports of $15 million during fiscal year 1992. This initiative was based on market analysis done by the Office of Agricultural Affairs in Guatemala City and is representative of the effective utilization of USDA export programs to combat third country competition.

5. Chicken Import Quota Eliminated. The Office of Agricultural Affairs in Guatemala City was instrumental in influencing the Government of Guatemala to rescind a prohibition of chicken imports within one week of its announcement. The Office worked closely with the Guatemalan Chamber of Commerce and other groups and quickly responded to rapidly changing developments. This impressive change helped protect a growing market for U.S. chicken meat conservatively valued at $11 million annually.

6. P.L. 480 Opens Multimillion Dollar Market in Zimbabwe. The Agricultural Attache in Pretoria and U.S. Embassy Harare negotiated the first P.L. 480, Title I agreement with the Government of Zimbabwe (GOZ), which has resulted in contracts for 221,000 tons of corn, 10,000 tons of vegetable oil and 73,000 tons of wheat. In addition the GOZ has signed contracts to purchase $20 million worth of corn under a GSM-102 agreement. These commodities will be imported from July 1992 through December 1992.

7. Trade Agreements Cause Korean Import Market to Surge. The Office of Agricultural Affairs in Seoul continues to support the ongoing negotiation of the second part of the U.S.-Korea Beef Agreement. The initial agreement resulted in $455 million of beef imports in 1991, which is expected to exceed $550 million in 1992 and continue growing for several years. Other previously negotiated trade concessions resulted in an estimated additional $30 million of agricultural sales to Korea in 1991. The Office continues to track implementation of these agreements and inform U.S. suppliers of new trade opportunities resulting from them.

8. FAS Beijing Initiatives Help Sell U.S. Soybeans. A major share of the credit for recent PRC purchases of over 100,000 tons of U.S. soybeans is attributable to the Office of Agricultural Affairs in Beijing. Beginning in early 1992, as PRC domestic soybean prices began to rise, the Agricultural Counselor organized a series of meetings with key high level Chinese trade and government authorities to discuss the economic and political advantages of purchasing U.S. soybeans. The subsequent purchases of U.S. soybeans by China, the first in over

five years, added millions of dollars of income to American soybean producers and traders despite strong price competition from Argentina.

9. Thailand Buys U.S. Beef Cattle and Genetics. Efforts by a FAS Market Development Cooperator and the Office of Agricultural Affairs in Bangkok to promote U.S. beef cattle in Thailand have resulted in the Royal Thai Government (RTG) allocating about $2.5 million to purchase 823 head of Purebred American Brahman female cattle. In the private sector, between 350 and 400 head of American Brahman cattle have been imported during the first 9 months of this year. The RTG plans to purchase an additional 500-1,000 head of American Brahman cattle in 1994. In addition, the Office's efforts to promote beef and dairy genetics in Thailand have resulted in the RTG allocating about $170,000 to purchase U.S. dairy semen.

10. Up-To-The-Minute Information Helps U.S. Agriculture Compete. The commodity intelligence that the Office of Agricultural Affairs in The Hague provides on the commodity markets of the European Community and the rest of the world are vital to the efficient operation of the Export Enhancement Program (EEP) and serve as the foundation for the pricing determination for U.S. grains and oilseeds. FAS staff in The Hague report daily on wheat, barley and oilseeds; weekly on dairy and rice; and monthly on oilseeds. Because of this timely and substantive reporting, the U.S. Government is able to compete with the EC at world market prices. The accuracy of this information is very important for limiting U.S. program costs since the price information received must not overstate the differences between EC, U.S. and world prices. Examples of this reporting include the advance warning to FAS/Washington end-users of the French COFACE credits for over 2 billion francs, special EC aid to Eastern Europe, Turkish grains activities, and Saudi barley purchases of more than 1 million tons.

11. Wine Sales to Denmark Benefit From Strategic Marketing Efforts. A multi-year effort by the Office of Agricultural Affairs in Copenhagen redirected U.S. export promotions away from large, single annual events to smaller, more frequent and strategically focused promotion activities better suited to the character of the domestic wine market and the variety of U.S. wines available for sale, leading to the long-term development of a broader market share for U.S. wines in Denmark. As a result, sales of U.S. wines in Denmark hit a record $4.1 million in 1991, up from only $620,000 in 1986 and 68 percent greater than in 1989.

12. Market Promotion Boosts U.S. Consumer-Oriented Agricultural Shipments to Taiwan. Marketing efforts by the Agricultural Affairs Section of the American Institute in Taiwan aimed at expanding shipments of consumer-oriented agricultural products from the United States to Taiwan were implemented. The wide array of activities to boost exports of these products included seminars for supermarket managers and hotel food and beverage managers, individual exporter-importer information services, and a bimonthly trade magazine published by the office. These activities and cooperator promotions helped boost consumer-oriented food imports from the United States by 46 percent (October-May statistics) above the previous year's record level of $270 million.

13. Grape Market Rescued. The Agricultural Affairs Section of the American Institute in Taiwan (AIT) promptly identified and analyzed a fraudulent food safety scare about pesticide residue levels on U.S. grapes. Through quick and effective action by AIT with the Taiwan authorities, the media, and the California Table Grape Commission, canceled orders were reinstated within a ten-day period. This averted a disaster and maintained the important position for U.S. grape sales to Taiwan at $11.5 million in 1991.

14. U.S. Tobacco Market Maintained. Efforts by the Office of Agricultural Affairs in Kuala Lumpur were successful in combating an import quota placed on flue-cured tobacco. In December 1991, the Government of Malaysia (GOM) implemented a preliminary import quota of 1.5 million kilograms for flue-cured tobacco as a concession to domestic tobacco producers. Due to the strong challenge raised by the Office of Agricultural Affairs and the Embassy, the GOM raised the import quota to 2.5 million kilograms. Since imports from the United States alone totaled 2.7 million kilograms worth nearly $30 million in 1991, this Office's efforts prevented

a substantial loss of tobacco sales to this market. Further strategies and efforts to remove the quota entirely are currently under consideration.

15. U.S. Dairy Products Re-enter Egypt. While Egypt has imported significant quantities of dairy products for many years, the United States had not exported commercially to this market in the recent past. Nevertheless, the Office of Agricultural Affairs in Cairo worked diligently to inform importers of the Dairy Export Incentive Program (DEIP). In June 1992, the first Egyptian importer bought non-fat dry milk. Since that time, 1,494 tons of non-fat dry milk, 300 tons of Cheddar cheese and 400 tons of butteroil have been purchased by Egyptian companies from U.S. exporters.

16. U.S. Boxed Beef to Mexico Safeguarded. Due to mounting pressure in the Mexican border state of Nuevo Leon to restrict meat imports, state officials introduced new meat grading requirements which had the effect of making U.S. boxed beef exports to Mexico unprofitable. The vast majority of imported U.S. boxed beef enters Mexico through Nuevo Leon, and accordingly the directive affected virtually all U.S. shipments. The Office of Agricultural Affairs in Mexico City and the U.S. Consulate in Monterrey, in collaboration with the private trade, approached the Governor of Nuevo Leon to convince him to rescind the regulation. As a result of this intensive effort, state officials changed their meat inspection and grading system to avoid discrimination against imported U.S. boxed beef.

17. U.S. Apples Find Healthy Market in Mexico. Upon removing import licensing requirements for apples in June 1991, Mexico implemented strict phytosanitary border measures. The Office of Agricultural Affairs in Mexico City worked intensively with the private U.S. apple industry and the Animal and Plant Health Inspection Service (APHIS) to provide technical information and to arrange special trips for Mexican plant health authorities to the apple growing areas of the Northwest United States in order to demonstrate that Mexico could accept apples from the area with no measurable phytosanitary risks. Mexico subsequently implemented regulations covering field inspections and cold storage requirements for U.S. apple exports. Since that time, apple producing regions in the states of Oregon, Washington and Idaho have been approved for export by the Government of Mexico. Mexican apple imports from the United States have subsequently grown from only 12,000 metric tons in 1990/91 to almost 70,000 metric tons in 1991/92.

## FOREIGN MARKET INFORMATION AND ACCESS

### Commodity and Marketing Programs:

FAS is responsible for providing data relating to supply, distribution, and foreign demand of agricultural commodities. Data are collected from field reports furnished by the Agricultural Counselors, Attaches and ATOs, special field studies conducted by Washington analysts and various other public sources. Advanced economic analyses are conducted to examine the data and produce short term commodity forecasts, commodity status summaries and market potential guidance on a country and area basis. Price, supply and demand fluctuations and their possible impact upon American exports and market development activities are a particular focus of the commodity and marketing programs area. Reports and analyses are distributed to the U.S. agricultural community through various channels, including categories of FAS publications, FAS participation in trade conferences and U.S. trade organizations. A program of import controls is administered on selected foreign agricultural products imported into the United States.

1. FAS Strengthens Former Soviet Union Databases Anticipating the U S industry's need for concise and timely foreign market intelligence, as well as agency programming opportunities in the wake of the rapidly changing political and economic situation in Eastern Europe and the former Soviet Union, FAS analysts undertook to expand and improve analysis of the supply and demand situation for this region This has led to improved production, supply and demand data for the

Baltics and the 12 independent republics of the former Soviet Union. Without primary sources of information, FAS analysts relied on population data, per capita consumption data, livestock numbers, feed ratios etc., to derive individual country data. This newly developed information was critical in responding to a growing number of inquiries from the trade as well as other government agencies.

2. Analysis of EEP Effectiveness in Meeting EC Subsidized Competition. Continued and extensive review of the effectiveness of the ongoing EEP to insure its maximum impact in targeting subsidized competition led to a decision to evaluate new approaches for the program. Analysis of the country-by-country initiative approach in previous years led to the conclusion that more timely announcements of USDA's programming intentions for EEP would better address subsidized exports. Analysis and marketing staffs combined their expertise to conceptualize, develop, and defend a new "package" approach for 1992/93 initiatives. This major change in the EEP initiative process moved from the concept phase to the announcement of annual EEP packages supporting 1992 U.S. crop exports.

3. Analysis of Barter Opportunities for U.S. Exports. The rapid evolution of new marketing systems and challenges in the former Soviet Union and Eastern Europe required analysts to evaluate new techniques for insuring that U.S. exports would be competitive in these import market regions. On recognizing that cash-strapped republics of the former Soviet Union and countries in Eastern Europe were conducting an increasing amount of trade through barter and other arrangements, and that the EC was benefiting from the bulk of this business, FAS commodity analysts developed the analyses necessary to support and defend a significant modification to the Export Enhancement Program. This change permits U.S. exporters greater access to barter trade with the FSU by allowing entities outside of the FSU to purchase U.S. commodities for export to the FSU. U.S. exporters have indicated that this modification is one of the more significant and positive changes to the EEP in recent years. To date, over 150,000 MT of grain have been exported as a result of this initiative. The program change was initially targeted to assist wheat exports but has been expanded to include barley, rice, wheat flour, vegetable oil, and pork. It was similarly extended to DEIP and SOAP/COAP sales.

4. Satellite Remote Sensing Assesses Drought Damage to Australian Wheat. FAS played a key role in assessing the effects of the 1992 drought on wheat production in the New South Wales and Queensland areas of Australia. The timely analytical support provided by the remote sensing unit, the only operational program of its type in the world, was based on satellite imagery analyses, weather data, and computer models. This year's sharp decline in wheat production estimates, following early-season bumper forecasts, reflected the driest start to the wheat season in eight years. In-depth analyses of satellite imagery data and ancillary information provided early detection of the drought and helped clarify crop conditions in July and August. Comprehensive state-level wheat condition assessments confirmed by subsequent official Australian reports, were made early in the growing season and substantially enhanced USDA's production analyses.

5. SOAP/COAP Fiscal Year 1992 Package Increases U.S. Vegetable Oil Exports. FAS oilseed analysts facilitated the development of a comprehensive SOAP/COAP program for fiscal year 1992. This package enabled USDA to announce programs for various countries at the beginning of the fiscal year, and led to an increase in exports under these programs by 142 percent over fiscal year 1991. The programs were especially helpful to the U.S. oilseed industry since U.S. sunflowerseed oil production increased by 60 percent and cottonseed oil production increased by 12 percent over the previous year.

6. Spain Opens Market for U.S. Apples and Pears. As a result of the coordinated efforts of FAS Washington-based analysts, the Agricultural Counselor in Madrid, APHIS, and the Pacific Northwest apple industry, the Government of Spain officially lifted its ban on imports of U.S. apples effective January 24, 1992. Apples from the states of Washington and Oregon, which met the stipulated phytosanitary conditions, were permitted entry beginning on that date. For the

period February-July 1992, U.S. apple exports to Spain totaled 1,288 metric tons, valued at $0.77 million.

7. U.S. Producers Protected from Subsidized Cheese. After receiving a complaint from U.S. producers about price undercutting by Swiss exporters, FAS initiated an investigation in May 1992. Based on a finding which confirmed the allegation of U.S. producers, USDA and USTR entered into negotiations with the Swiss Government. In June, the Swiss agreed to eliminate the activities which resulted in undercutting. By eliminating the price undercutting, U.S. producers benefited from an estimated $1 million in additional sales of milk used to manufacture Swiss cheese in the United States that would have been displaced by imported product.

8. Increased Access for U.S. High Quality Beef. Six years after the initiation of negotiations with Austria, FAS was finally successful in gaining a 66 percent increase in our quota for high quality beef. In May 1992, the Austrian Government began issuing import licenses under the new 400 metric ton quota. The increase in the quota should result in an additional $4-5 million in sales to that market.

9. Broadened Analysis of Planting Seed Trade Data Supports Market Development. FAS has significantly improved support for planting seed market development activities through expanded trade data analysis. The expanded analysis allowed seed cooperators to focus their activities toward countries/regions of greater potential and determine countries/regions where more in- depth market research was necessary. Efforts to increase the number of species identified separately in the U.S. Tariff Schedule has improved trade servicing assistance to the private trade. Improved analysis of the planting seed import situation has allowed FAS to respond positively to seed producers' concerns that activities were being adversely affected by seed import surges.

10. New AgExport Guides Provide Information on Market Opportunities for High Value Products. To help U.S. exporters of high value products compete more effectively in overseas markets, FAS introduced a new series of reports entitled, "AgExport Guides." The series provides information on traditional markets such as Japan, Taiwan and Singapore, as well as new market opportunities in Mexico and Eastern Europe. Some reports in the series cover opportunities for specific categories of high value products such as microwaveable foods.

11. AgExport Connections Services Put U.S. Exporters in Touch with Foreign Buyers. FAS posts provided over 3,000 Trade Leads for U.S. exporters, with detailed information on the import needs of specific foreign buyers. Over 2,500 U.S. products were promoted to 12,000 key importers in fifty countries through the Buyer Alert Newsletter. Over $100 million in export sales are being generated through these two services annually.

12. Trade Shows Prove Effective Promoting High Value Products. Four hundred and forty-two exporters who exhibited U.S. foods and beverages at FAS trade shows in fiscal year 1992 expected their annual exports to increase by $1.82 million as a result of the shows. Exhibitors reported great success at shows in Germany, Bahrain, Spain, Singapore and Japan where they test marketed over 2,000 products and made almost 7,500 promising trade contacts. U.S. exhibitors consummated agent agreements with over 100 foreign firms at the shows, and some 65 percent of firms seeking to negotiate export sales reported they achieved this objective. Additional sales are expected from trade shows held in Seoul and Hong Kong in late September.

Trade Policy Activities:

The International Trade Policy program area coordinates the Department's responsibilities relating to the conduct and implementation of international trade agreement programs and trade negotiations, with a specific goal of expanding U.S. exports. The program area identifies policies and programs of other governments

which discourage the export of U.S. farm products, then contributes to the development and implementation of Administration policies and negotiations to reduce or remove these barriers. The program area also participates in the formulation and administration of U.S. import policies to ensure that they reflect adequately the interest of U.S. farmers.

1. North American Free Trade Negotiations Successfully Concluded. The North American Free Trade Agreement (NAFTA) negotiations have been successfully concluded. The proposed Agreement would result in the elimination of all tariff and non-tariff barriers between the United States and Mexico. Including trade which already enters duty-free, both the United States and Mexico would have more than one-half of recent agricultural trade value exempt from tariffs when the Agreement takes effect. All non-tariff barriers affecting U.S.-Mexico trade in agricultural products, including Mexico's restrictive import licensing regime, would be eliminated immediately upon enactment of the NAFTA and converted to ordinary tariffs or tariff equivalents using tariff rate quotas. By the end of the proposed 15-year transition period, annual U.S. agricultural exports to Mexico would likely be $1.5 to $2.0 billion higher than without NAFTA.

2. Uruguay Round Negotiations Intensify Around Draft Final Act. In December 1991, GATT Director General Arthur Dunkel tabled a "Draft Final Act (DFA)" covering all areas of the Uruguay Round negotiations including agriculture. This document remains the focus of the current negotiations of the Round. The agriculture section's provisions strongly reflect U.S. proposals over the last six years for meaningful agricultural reform. The DFA's text on Agriculture includes specific disciplines, as advocated by the United States, in all four areas of the agricultural negotiations: market access, export competition, internal support, and sanitary and phytosanitary measures. The DFA agriculture text establishes the basis for long-term movement toward fairer trade for agriculture and would provide immediate benefits for agricultural exporters and increase the role of market forces in world agricultural trade.

3. Japan:

Wood Products. Significant progress has been made in the technical negotiations on implementation of the 1990 Forest Products Agreement. With regard to product standards, as a result of the U.S. trial building, Japan has increased acceptance of wood as a safe and practical building material in multistory dwellings. Japan has also accepted the self-certification concept whereby designated U.S. entities may apply the JAS Mark (Japan Agricultural Standard) to certain wood products. Under the Structural Impediments Initiative (SII), Japan has also relaxed regulation of discount premium offers for food products, allowing companies to distribute discount coupons to attract business.

Agricultural Products Agreement (GATT-11). A new Agricultural Product Agreement (formerly referred to as the GATT-11 Agreement) with Japan was signed on September 18, 1992, in Washington. The new accord further widens U.S. access to the Japanese dairy and industrial-use corn markets, and is projected to lead to increased U.S. exports of $75-95 million over three years.

Tariff Reductions on Corn Grits and Potato Flakes. In the September, 1992 Agricultural Products Agreement, Japan agreed to cut tariff rates on corn grits for the manufacture of cornflakes from 25 percent to 16.2 percent and to lower duties on potato flakes from 25 to 20 percent.

Rainier Cheeries Accepted by Japan. As of May 12, 1992, Japan will now accept Rainier variety cherries for import. U.S. bing cherries are already hugely popular, and the Rainier cultivar was highly successful in the Japanese market this season.

Eliminates Year-Round Cherry Import Calendar. Japan eliminated their import calendar for cherries and now will accept imports year-round.

Processed or "Bumped" Rice. "Bumped rice" is the intermediate processed rice used for manufacture of "rice krispies" type breakfast cereals. Japan designated the customs classification for bumped rice as under HS 1904.90 (other cereals, in grain form, precooked or otherwise). The classification is, however, subject to quota, and the quota level was set at zero. After many representations by the United States, Japan opened a new 2,000 MT import quota for bumped rice.

Pesticide Standards. Through consultation with U.S. exporters and Japanese officials and through utilization of the GATT Standards Code review and comment process, FAS has achieved notable success in the past year working with the Japanese in their effort to develop new pesticide residue standards for raw agricultural commodities. The ability to exchange information has enabled development of more compatible pesticide tolerances on a number of important pesticides--which will have a positive effect on U.S. agricultural exports to Japan.

Orange Juice Quotas. Japan's quotas on frozen concentrated orange juice were eliminated on April 1, 1992, in accordance with the 1988 Beef and Citrus Agreement. Opportunities for sales of U.S. single strength and frozen concentrated orange juice were greatly enhanced by the agreement.

4. EC Agrees to Lower Tariff on Inedible Tallow. The EC provided final approval of a permanent reduction in the tariff on inedible tallow to 2 percent. The tariff was increased from 2 percent to 12 percent on this product as a result of an error in the EC's conversion to the Harmonized System in 1988. Approximately $50 million worth of U.S. inedible tallow was exported to the EC annually prior to imposition of the higher tariff.

5. U.S.-Israel FTA Talks Yield Concessions In Dried Fruits and Nuts. The United States was able to gain significant concessions from Israel as compensation for abrogation of its raisin and prune quotas. Israel agreed to a Memorandum of Understanding that confirms a 500 ton raisin quota and a 600 ton prune quota for 1993 and beyond. Additionally, tariffs on all tree nuts (HS 08.02) will be reduced from 22 percent to 10 percent on January 1, 1993, which is six percent lower than the duty on corresponding products from the EC. Israel also agreed not to offset the increased market access afforded by the duty reduction by increasing non-tariff barriers. Under the terms of the FTA, all duties between the two countries are scheduled to drop to zero on January 1, 1995.

6. Trade Liberalization in Africa. A number of key markets in Africa made significant progress towards trade liberalization, thereby facilitating and increasing the demand for U.S. agricultural products. Egypt liberalized wheat, tobacco and meat imports by increasing the role of the private sector to allow for direct importing and rescinded the suspension on the importation of meat. South Africa has greatly reduced the power of its parastatal marketing boards that once controlled production, importation and marketing of agricultural products. In many cases, the power of these marketing boards has been reduced to marketing functions only and imports are not restricted. Reports of the lifting of the import bans in Nigeria, which cover most agricultural imports, would open up what was once one of the United States' largest agricultural product markets in Africa.

7. Taiwan's Food Management Law. Persistent efforts by FAS International Trade Policy Division to coordinate U.S. Government and industry opposition to trade distorting provisions in Taiwan's Food Management Law contributed to a decision by Taiwan's legislature against its implementation. If implemented, the proposed legislation would have charged variable levies or surcharges against imported wheat, soybeans and feedgrains. Trade in these items were valued at $1.1 billion in calendar year 1991.

8. New Almond Trade Agreement with India. After extensive discussion among U.S. industry representatives, USDA, and USTR, an agreement was reached between the U.S. and Indian governments which establishes a new arrangement governing trade in almonds. Under the new agreement, India will end import licensing for almonds and

bind the import duties in the GATT at Rupees 100 and 55 per kilogram for kernels and inshell almonds, respectively. According to U.S. industry representatives, this change has brought on a surge in almond import activity by both traditional and new importers and they anticipate that the positive effect of the elimination of import licensing requirements will lead to much expanded opportunities for U.S. almond trade to India.

9. Malaysian Government Reduces Dry Cereals Tariff. Following a prolonged period of U.S. Government and industry representations, import duties on dry cereal imports into Malaysia were reduced from 30 to 5 percent ad valorem. The higher duty was implemented in 1989 to help shield a local joint venture operation from import competition. Consequently, a U.S. manufacturer, which pioneered the breakfast cereal market in Malaysia, saw its market share plummet. With the lower tariff, U.S. exporters will now be able to compete in this rapidly growing market, estimated at US$20 million in 1991.

10. Malaysis Lifts TV Ad Ban and Gives U.S. Apples and Other Produce a Clean Bill of Health. Under pressure from the U.S. Embassy, FAS, U.S. State Department and industry representatives, the Malaysian Government lifted a television ad ban on Washington State apples, California grapes and U.S. potatoes. In addition to lifting the ban on advertising, Malaysia's Minister of Health issued statements in local newspapers confirming that Washington State apples posed no health risk.

11. President's Economic Initiatives. Following the meeting between President Bush and President Noh in Seoul in January 1992, committees were established to review four areas of governmental activities in order to assist the expansion of trade and investment between Korea and the United States. The Committees covered Customs and Import Clearance, Standards, Investment and Technology. These Committees were to review current procedures and practices in each country and provide recommendations on ways to improve these. USDA had extensive involvement for the first two Committees and gained recognition via recommendations by the Committees of the need to make changes to Korea's policies and practices affecting imports of agricultural and food items. The Committees' reports were submitted to the Presidents for their release.

12. Frozen Agricultural Products to Korea. Following a series of consultations and follow-up actions with Korean quarantine officials, undertaken jointly by FAS and APHIS, Korea announced in January 1992, that Korea would accept frozen plant and plant products from the United States without an accompanying phytosanitary certificate. Up to that point, the Korean requirement had restricted the shipment of U.S. frozen fruit and vegetables to Korea as the U.S. has not issued phytosanitary certificates for such processed products for a number of years.

13. Wheat to Chile. FAS played a key role in the recent Chilean Ministry of Agriculture announcement lifting of the prohibition on certain weed seeds which had halted U.S. wheat shipments since April 1991. FAS, together with APHIS, had challenged the biological basis of this requirement and through a series of bilateral discussions and follow-up actions were able to satisfy the concerns of Chilean officials. As a result, the weed seed restrictions were eliminated. That announcement means there are no longer any phytosanitary regulations blocking U.S. wheat exports to Chile.

14. Weed Seed Requirements for Grain Shipments to the Former Soviet Union. FAS was instrumental in negotiating a weed seed agreement with the FSU that has limited the number of quarantine weed seeds and has resulted in a reduction of claims for such weed seeds by nearly 100 percent. Previously claims were assessed at the rate of $0.75 per ton on 100 percent of U.S. grain shipments. In addition, they successfully negotiated a further reduction in the list of prohibited weed seeds by 33 percent, thus reducing the risk to U.S. suppliers

15. Mexican Quarantine/Quality Requirements for Grains FAS successfully negotiated the removal of quarantine and quality regulatory barriers to U S grains

to Mexico and assisted Mexican authorities in re-drafting the requirements that more closely reflect international norms. Since the quality and quarantine requirements were re-drafted, no delays have occurred regarding U.S. grain shipments to Mexico.

PASSENGER MOTOR VEHICLE

The 1994 Budget estimates propose the purchase of four replacement passenger motor vehicles. Passenger motor vehicles belonging to FAS are used exclusively by the Agricultural Officers at overseas posts in an official capacity. The officer travels extensively throughout the countries assigned, gathering agricultural data. Embassy motor pool vehicles are not readily available for field use.

Replacement of Passenger Motor Vehicles. Replacement of four passenger motor vehicles is proposed. All vehicles proposed for replacement will meet replacement standards.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1992, are as follows:

| | Age Data | | Mileage Data | | |
|---|---|---|---|---|---|
| Age-Year Model | Number of Vehicles | Percent of Total | Lifetime Mileage (thousands) | Number of Vehicles | Percent of Total |
| 1987 or older | 11 | 33.3 | 80-100 | 2 | 6.0 |
| 1988 | 4 | 12.1 | 60-79 | 3 | 9.1 |
| 1989 | 4 | 12.1 | 40-59 | 3 | 9.1 |
| 1990 | 9 | 27.3 | 20-39 | 12 | 36.4 |
| 1991 | 3 | 9.3 | Under 20 | 13 | 39.4 |
| 1992 | 2 | 6.1 | Total | 33 | 100.0 |
| Total | 33 | 100.0 | | | |

## GENERAL SALES MANAGER

| | |
|---|---|
| Available Funds, 1993 | $8,866,000 |
| Budget Estimate, 1994 | 9,240,000 |
| Increase in Available Funds | +374,000 |

### SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

| Item of Change | 1993 Estimated | Pay Cost | Other Changes | 1994 Estimated |
|---|---|---|---|---|
| General Sales Manager | $8,866,000 | +198,000 | 0 | $9,064,000 |

### PROJECT STATEMENT
(On basis of appropriation)
(Dollars in Thousands)

| Project | 1992 Estimated | | 1993 Estimated | | Increase or Decrease | 1994 Estimated | |
|---|---|---|---|---|---|---|---|
| | Amount | Staff-Years | Amount | Staff-Years | | Amount | Staff-Years |
| General Sales Manager: | | | | | | | |
| Transfer from CCC | $5,098,000 | 70 | $4,668,000 | 70 | -$4,668,000 | -0- | 70 |
| Direct Apprpriation | -0- | | -0- | | +4,772,000 | $4,772,000 | |
| Credit Reform Funds from Other Accounts: | | | | | | | |
| CCC Export Loans Program Account | 2,731,000 | 51 | 2,731,000 | 51 | +61,000 | 2,792,000 | 51 |
| P.L. 480 Program Account | 1,242,000 | 24 | 1,467,000 | 24 | +33,000 | 1,500,000 | 24 |
| Total, OGSM | 9,071,000 | 145 | 8,866,000 | 145 | +198,000 (1) | 9,064,000 | 145 |

EXPLANATION OF PROGRAM

GENERAL SALES MANAGER - Established pursuant to Section 5(f) of the Charter Act of the Commodity Credit Corporation and 15 U.S.C. 714-714p. The funds allocated are used for conducting the following programs:

(1) CCC Export Credit Guarantee Program (GSM-102), (2) Intermediate Credit Guarantee Program (GSM-103), (3) Export Enhancement Program, (4) Market Promotion Program, (5) Public Law 480, (6) Section 416(b) Overseas Donations, (7) Food for Progress, (8) Dairy Export Incentive Program, (9) Sunflowerseed Oil Assistance Program, (10) Cottonseed Oil Assistance Program, and (11) programs authorized by the Commodity Credit Corporation Charter Act including barter, export sales of CCC-owned commodities, export payments and other programs as assigned to encourage or cause the export of U.S. agricultural commodities.

REVIEWS COMMENCED DURING FY 1992

GAO Reviews

| | | |
|---|---|---|
| Code 483618 | Assessment of U.S. Guaranteed Agricultural Exports to the Soviet Union | Review of program administration |
| Code 472277 | U.S. Economic and Military Assistance to Kenya | Review of program administration |
| Code 150903 | Review of the Effect of Including More High Value Products in the Export Promotion Programs | Review of program administration |
| Code 280012 | Foreign and Multinational Firms Receiving Federal Funds for Agricultural Export Promotion Programs | Review of program administration |
| Code 280007 | Impact of PL 480 Title I Assistance on Agricultural Development and Agricultural Trade Development | Review of program effectiveness |
| Code 472288 | Review of Emergency and Private Voluntary Organization Food Programs Under PL 480 Title II | Review of program effectiveness |
| Code 472289 | Review of Emergency and Private Voluntary Organization Food Programs Under PL 480 Title III | Review of program effectiveness |
| Code 472285 | Survey of Assistance to the Republics of the Commonwealth of Independent States (CIS) | Survey of program administration |
| Code 483637 | Review of the Requests for U.S. Food Exports to the Commonwealth of Independent States (CIS) | Review of program effectiveness |
| Code 280025 | Study of CCC's Export Loan Guarantee Programs | Review of program administration |

| | | |
|---|---|---|
| Code 150036 | Review of USDA's Rice Program Policies | Review of program policies |
| Code 280036 | 1990 Farm Bill Requirements on USDA Export Programs | Review of program administration |
| 07099-30-Hy | J. Aron & Co. Export Operations Under FAS Programs | Review of program administration |
| 50099-77-Hy | Foreign Debt Management | Review of program administration |
| 03600-11-Fm | Audit of CCC FY 92 Financial Statements | Review of program administration |
| 07020-6-Hy | Survey of PL 480 Title I Shipping Agents | Survey of program administration |

REVIEWS COMPLETED DURING FY 1992

GAO Reviews

| | | |
|---|---|---|
| Code 43541 | Review of Wood Exports Under GSM 102/103 and PL 480 Programs | Review of program administration |
| Code 483565 | LOAN GUARANTEES: Export Credit Guarantee Programs' Long-Run Costs are High | Review of program administration |
| Code 472215 | U.S. Economic Assistance to Eastern Europe | Review of program administration |
| Code 483580 | Canada and Australia Rely Heavily on Wheat Boards to Market Grain | Review of international response to EEP |
| Code 472239 | Eastern Europe Donor Assistance Coordination | Survey of program administration |
| Code 344472 | Survey of Maritime Assessments | Survey of program administration |
| Code 150040 | Interim Review of 1995 Farm Bill | Forward planning |

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $198,000 for the Office of the General Sales Manager ($8,866,000 available in fiscal year 1993) consisting of:

(a) An increase of $198,000 which reflects the annualization of the fiscal years 1993 pay raise and anticipated lump-sum separation payments for accrued annual leave.

(b) An increase of $17,000 which reflects 2.7 percent increase in non-salary costs.

(c) A decrease of $17,000 for administrative efficiency.

Need for Change. To implement the President's Executive Order, to reduce overhead-type outlays from the fiscal year 1993 baseline, by 3 percent in fiscal year 1994, 6 percent in fiscal year 1995, 9 percent in fiscal year

1996 and 14 percent in fiscal year 1997, budget authority in 1994 must be reduced by $17,000.

Nature of Change. In order to achieve this savings, FAS will initiate action to reduce spending, both domestically and overseas, in travel, training, procurement and other administrative areas where the agency has the discretion to reduce spending from current levels.

## General Sales Manager
### GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
### 1992 and Estimated 1993 and 1994

| | 1992 | | 1993 | | 1994 | |
|---|---|---|---|---|---|---|
| | Amount | Staff-Years | Amount | Staff-Years | Amount | Staff-Years |
| District of Columbia | 9,071,000 | 145 | 8,866,000 | 145 | 9,064,000 | 145 |
| Total Available or Estimate | 9,071,000 | 145 | 8,866,000 | 145 | 9,064,000 | 145 |

## COMMERCIAL EXPORT PROGRAMS

### STATUS OF PROGRAM

Within the provisions of the Commodity Credit Corporation (CCC) Charter Act, the General Sales Manager has authority to make sales for export from CCC stocks and to develop and administer programs supporting agricultural commodity exports. In addition, the Agricultural Trade Act of 1978, as amended by the Food, Agriculture, Conservation, and Trade Act of 1990 (FACT Act) provides further authorities for export promotion programs. In fiscal year 1992, the Export Credit Guarantee Program (GSM-102), the Intermediate Term Export Credit Guarantee Program (GSM-103) and the Export Enhancement Program (GSM-500) continued as the primary vehicles for supporting commercial agricultural exports. Commercial export programs significantly contributed to the exportation of U.S. agricultural commodities with an estimated export sales value of over $8 billion, a new historical level for these programs.

1. CCC Export Credit Guarantee Programs (GSM-102) and (GSM-103). The GSM-102 program helps exporters of U.S. agricultural commodities and products by facilitating extension of private commercial credit with repayment periods of up to three years. By providing a U.S. Government guarantee on substantially all of the private financing, this CCC program facilitates the extension of credit by U.S. lenders (typically commercial banks) which is used by overseas customers to pay U.S. exporters. The Agricultural Trade Act of 1978, as amended, provides that not less then $5.0 billion in GSM-102 guarantees be made available annually; section 1542 of the FACT Act further provides that not less than $1.0 billion in guarantees be available for emerging democracies during fiscal years 1991 through 1995.

In fiscal year 1992, GSM-102 export credit guarantees made avilable totaled $6.1 billion and registrations reached a historic high of $5.6 billion for 35 countries, 14 of which were new to the program. This increased activity reflects primarily the changes in the former Soviet Union, Eastern Europe and drought in southern Africa. To carry out this historic volume of activity, 4,000 contracts were prepared by USDA staff.

The GSM-103 program provides guarantees on financing of more than 3 and up to 10 years, and is designed to help developing nations make the transition from concessional to cash sales. During fiscal year 1992, $229 million of GSM-103 credit guarantees were made available and sales registrations totaled $88 million. Wheat, feed grains, and livestock were the principal commodity groups included in the program.

Significant accomplishments were recorded in key regions as follows:

--Former Soviet Union - During fiscal year 1992, historic changes occurred in the Soviet Union. Prior to the collapse of the Soviet Union, $1.8 billion in export credit guarantees had been registered for nine commodity groups. Then $644 million were registered for Russia and $109 million for the Ukraine, bringing total registrations for this region to $2.6 billion. This significant support was critical in permitting U.S. agriculture to participate in this major market.

--Eastern Europe - New credit guarantee programs were initiated for Czechoslovakia, Hungary and Romania in fiscal year 1992. A total of $80 million was allocated for these countries and sales were registered totaling $54 million for oilseeds, protein meals, cotton and rice.

--Southern Africa - USDA developed new programs under GSM-102 for Zimbabwe, South Africa, Namibia and Botswana. The allocations totaled $57 million although only $20 million of sales of feed grains were registered. Requests for these first-time programs were due to the drought in southern Africa

--Latin America - USDA announced fiscal year 1992 GSM-102 programs for 10 countries in the Western Hemisphere valued at over $1 6 billion with registrations

totaling $1.4 billion. Mexico's place as the fourth largest importer of U.S. agricultural products has in part been due to the availability of the GSM-102/103 credit. In an effort to continue market expansion in the Caribbean, a new program for Grenada was announced in fiscal year 1992.

--Asia and the Middle East - In this major market, USDA announced GSM-102 programs for seven countries totaling $915 million. The largest program was Korea's $500 million program. In support of country privatization efforts, USDA announced new private sector programs for Egypt, the Philippines and Turkey.

2. Export Enhancement Program. The $968 million in bonuses awarded to exporters to expand U.S. exports in fiscal year 1992 was the second highest amount on record. The sales value of all bulk and value added commodities exported under this program in fiscal year 1992 totaled an estimated $3.0 billion. This program supported record export tonnages of vegetable oil (459,000 MT), rice (358,000 MT) and eggs (24 million dozen). Wheat (19.8 million MT) and frozen poultry (26,000 MT) scored their second highest annual tonnage levels since the program was initiated in fiscal year 1985. In managing this program, over 1,000 applications for export bonuses were approved by USDA staff.

3. Dairy Export Incentive Program. Dairy Export Incentive Program acceptances in fiscal year 1992 totaled 78,000 metric tons of milk powder, butterfat, and Cheddar, Mozzarella, Feta, Gouda and Cream cheeses, up more than 47,000 metric tons from fiscal year 1991. The value of bonuses totaled $76 million and the estimated export sales value of these commodities totaled over $200 million. Key markets reached by this program in fiscal year 1992 were Algeria, Colombia, Chile, and Saudia Arabia.

4. CCC Direct Sales of Dairy Products. Fiscal year 1992 direct export sales volume of CCC-owned dairy products totaled 83,000 metric tons, up 51,000 metric tons from fiscal year 1991. The value of sales totaled $133 million. Sales volume was enhanced by the sale of 34,000 metric tons of butter to the Republic of Russia, and 34,000 metric tons of nonfat dry milk powder to Mexico. The continued success of the Dairy Export Incentive Program (DEIP) considerably reduced outlets for CCC direct sales. Since legislation mandating sales was enacted, CCC has sold for export 668,000 metric tons of dairy products with a value of approximately $693 million.

## FOOD AID PROGRAMS

(Public Law 480, Section 416(b) and Food for Progress)

The administration of United States food aid programs is shared by the United States Department of Agriculture (USDA) and the Agency for International Development (A.I.D.). These programs provide assistance to needy people in over 90 countries around the world. Under the authority of the P.L. 480 program, the Section 416(b) program and the Food for Progress program, food aid totaling approximately 7.8 million metric tons with a commodity value of $1.5 billion was provided in fiscal year 1992.

1. P.L. 480 Title I, Section 416(b) and Food for Progress. These USDA administered programs provided food aid to 49 countries, 16 of which were first time participants in fiscal year 1992. The value of commodities provided under the Title I long-term concessional sales program totaled $374 million. The value of commodities donated under the Section 416(b) program, including contributions to the World Food Program, totaled over $300 million. The Food for Progress program provided commodities with a value of $127 million to support countries that have made commitments to introduce or expand free enterprise elements in their agricultural sector. The major focus of USDA administered programs in fiscal year 1992 was as follows:

--Africa - During fiscal year 1992, USDA programmed 3 million metric tons or about 40 percent of total U.S. food aid to African countries to help meet urgent

human needs. In response to drought conditions in southern Africa, USDA programmed approximately $190 million. This included $40 million for sales of corn, vegetable oil and wheat to Zimbabwe under P.L. 480, Title I, while under Section 416(b) $7.8 million of corn was donated to Zambia and $10.3 million of corn and sorghum was donated to Zimbabwe. In addition, approximately $60 million of Section 416(b) commodities were donated to southern African countries through the World Food Program, the principal vehicle for multilateral food aid within the United Nations system.

--Former Soviet Union - USDA signed first-time agreements with six countries of the former Soviet Union in September 1992. Three of the agreements, with Belarus, Moldova and Tajikistan, provided $35 million of commodities under the Title I, P.L. 480 concessional sales program. Sales of 275,000 MT of wheat, corn and protein meal were programmed. In addition, three Food for Progress agreements funded under Title I were signed with Armenia, Georgia, and Kyrgyzstan totaling $32 million for donations of wheat and wheat flour.

USDA also donated over $150 million worth of humanitarian food aid to this region through selected private voluntary organizations and government-to-government programs under the Section 416(b) program and the Food for Progress program. The commodities, included nonfat dried milk, butter, butteroil, vegetable oil, peas, beans, wheat flour, and infant formula and were delivered to destinations including Turkmenistan, Belarus, the Russian Far East including parts of Siberia and the Ural Mountains, Kazakhstan, Georgia, and Armenia.

--Eastern Europe - The Department of Agriculture (USDA) negotiated a number of P.L. 480, Title I and Food for Progress agreements in fiscal year 1992 to assist newly independent countries in Eastern Europe in their transition towards market economics, and to meet their immediate food needs. During the year, USDA signed P.L. 480, Title I concessional sales agreements with Estonia, Latvia, Lithuania and Romania - firsts for the Baltic countries - with a total commodity value of $35 million. The agreements provided over 200,000 metric tons of commodities including wheat, corn, protein meal and cotton. A Food for Progress agreement funded under Title I, was signed with Albania. The agreement provided for 65,000 MT of wheat, vegetable oil and cotton with a value of $22 million.

Approximately 20,000 metric tons of butter was donated to Albania and Poland under the Section 416(b) authority and approximately 6,000 metric tons of butter and nonfat dry milk were donated to Albania under a Food for Progress program using Section 416(b) commodities.

--Latin America - USDA signed P.L. 480 Title I and Food for Progress agreements with eight countries in Latin America and the Caribbean valued at close to $120 million. USDA developed a new Title I program for Suriname. When USDA was unable to renew a GSM-102 program for Suriname in fiscal year 1992 because of economic instability, an interim Title I agreement for commodities valued at over $7 million was initiated and signed.

--Asia and the Middle East - USDA signed P.L. 480 Title I agreements with Egypt, Jordan, the Philippines and Sri Lanka for commodities totaling $93 million in fiscal year 1992. These agreements provided for 470,000 MT of wheat, 40,000 MT of wheat flour and 96,000 MT of protein meal.

2. P.L. 480 Title II and Title III. The P.L. 480 Title II donations program administered by A.I.D. provided for regular feeding programs as well as urgent humanitarian food aid for dire emergencies in Africa and other regions of the world. Commodities with a value of over $450 million were distributed to needy people in over 65 countries. This program is carried out primarily through private voluntary agencies, nonprofit organizations and cooperatives. In addition, the A.I.D. administered the Title III food aid grant program which provided commodities worth approximately $240 million to promote economic development in the least developed countries.

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## AGRICULTURAL TECHNICAL ASSISTANCE

In fiscal year 1992, the USDA designed and implemented a series of new technical assistance programs in central and eastern Europe and in several of the independent states of the former Soviet Union. The FAS Eastern Europe and Soviet Secretariat played the leadership role in coordinating the following significant technical assistance programs:

Cochran Fellowship Program - This program provides short-term training for key public and private foreign agricultural decision makers. Over 150 Polish and 45 Bulgarian agriculturalists have been trained. Arrangements are underway for the first 100 fellows from Russia, Belarus, Kazakhstan, Ukraine, to receive training in agribusiness management, commodity merchandising, agricultural and international banking, and other applications of free-market economics.

Model Farm in Russia - The model farm established near St. Petersburg is demonstrating farm management and farmgate marketing techniques. This project supports reform programs of the Russian Government by focusing the attention of local authorities on genuine privatization issues.

Loan Executive Program - This program to place U.S. private-sector executives in food handling and processing enterprise has been initiated in Russia, Belarus and Kazakhstan. The goal is to improve the efficiency of selected enterprise by sharing U.S. private sector management techniques.

Targeted Technical Assistance - Meeting specific technical assurance needs have taken Extension Service policy advisors to Poland and Armenia, economic policy experts to Poland, Czechoslovakia and Bulgaria and the Agricultural Marketing Service has provided assistance on grades, standards and marketing in Poland, Bulgaria and Russia.

PUBLIC LAW 480

Purpose Statement

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The law also authorizes appropriations to be made to cover costs of such programs. When funds for Title I ocean freight differential, Title II, and Title III become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual costs, the excess is used to reduce future appropriation requests.

The following activities are carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended by the Food, Agriculture, Conservation, and Trade Act of 1990 (FACT Act):

1. Financing sales of agricultural commodities to developing countries for dollars on credit terms, or for local currencies (including for local currencies on credit terms) for use under section 104; and for furnishing commodities to carry out the Food for Progress Act of 1985, as amended (Title I). All sales are made pursuant to agreements concluded under the authority of Title I, using funds appropriated for P.L. 480. The Commodity Credit Corporation may serve as the purchasing or shipping agent, or both, for the importing country or may award contracts for freight agent services on behalf of the Corporation to handle shipping of commodities under P.L. 480.

Sales are made to developing countries as defined in section 402(4) of P.L. 480 and must not displace expected commercial sales (sections 403(e) and (h)). Agreements are made with developing countries for delivery in accordance with the terms of agreement.

Funds appropriated to carry out Title I may also be used to furnish commodities to carry out the Food for Progress Act of 1985. Such commodities may be furnished on credit terms or on a grant basis in order to assist developing countries and countries that are emerging democracies that have made a commitment to introduce and expand free enterprise elements in their agricultural economies.

2. Commodities supplied in connection with dispositions abroad (Title II). Commodities are supplied without cost to developing countries to combat malnutrition, and to meet famine and other emergency requirements. The Corporation pays ocean freight on shipments under this title and may also pay overland transportation costs to a landlocked country, as well as internal distribution costs in emergency situations.

3. Commodities supplied in connection with dispositions abroad (Title III). Under Title III, agricultural commodities are furnished to least developed countries as defined in secton 302(a). Commodities are provided through foreign governments for direct feeding, development of emergency food reserves or may be sold with the proceeds of such sale used by the recipient country for specific economic development purposes. The Corporation may pay, in connection with furnishing commodities under Title III, the same cost items as are authorized under Title II.

Credit Reform

Credit reform procedures for federal credit programs authorized by the Budget Enforcement Act of 1990, Title XIII of the Omnibus Budget Reconciliation Act of 1990, were incorporated beginning with the 1992 budget. These procedures require that budget authority and outlays for direct credit and guarantee programs represent their subsidy costs, including interest subsidies, defaults, and administrative expenses, rather than disbursements net of repayments and other collections. In addition to the request for subsidy budget authority, the proposed 1994 appropriation language includes the estimated direct credit that would be extended based on the subsidy amount requested. The appropriation language also specifies the portion of the requested budget authority to be used for administrative expenses. Budget authority for the subsidy represents the present value of estimated net cashflows over the lifetime of the credit issued; whereas outlays represent the portion of the subsidy related to the credit issued within the year. Budget authority and outlays for the subsidies are presented in the Budget in "program accounts." All disbursement and repayment activity related to credit issued in fiscal year 1992 or later appear in a "financing account" and are considered "off-budget" for purposes of estimating the deficit. Budget authority and outlays for portfolios of credit existing prior to implementation of credit reform are reflected in the budget in "liquidating accounts" and are calculated as before, to represent disbursements and borrower repayments.

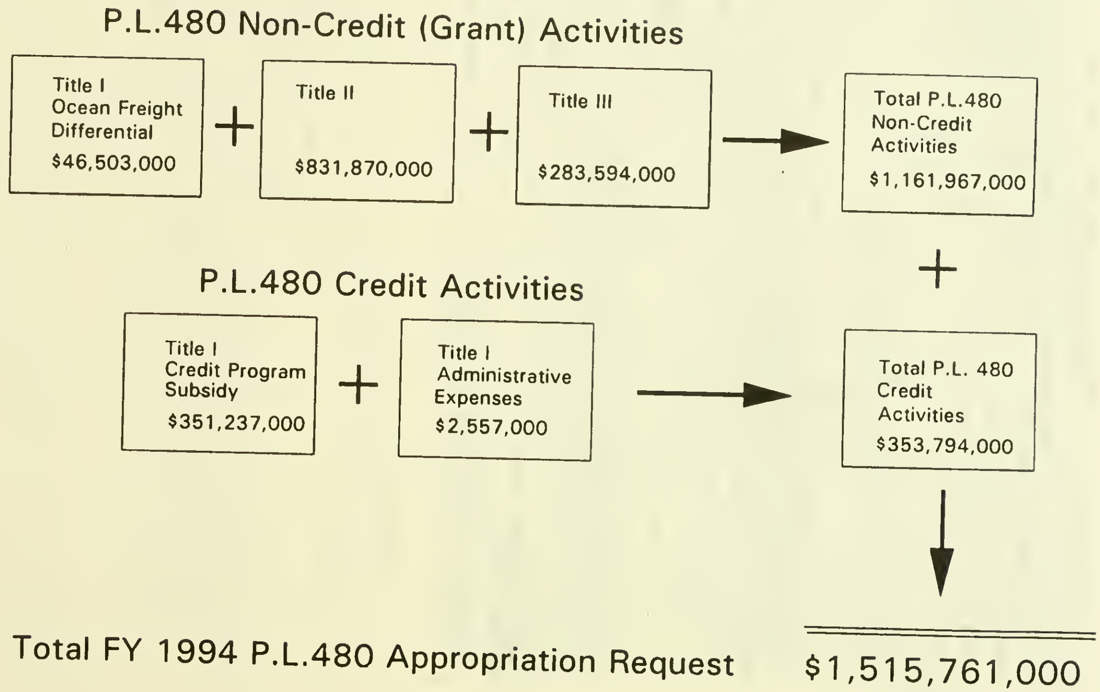
For P.L. 480, the "loan program account" is comprised of the estimated subsidy for direct credit extended to finance Title I commodities and related Title I administrative expenses. In fiscal year 1994, the appropriation request for the P.L. 480 program account is $353,794,000. Because credit reform rules require the separate treatment of credit and non-credit activities, a separate appropriation of $1,161,967,000 is requested for the non-credit P.L. 480 activities which include Title I ocean freight differential and the Titles II and III programs. The total appropriation request for P.L. 480 in fiscal year 1994 is $1,515,761,000.

The chart on the next page depicts the fiscal year 1994 proposed appropriation for P.L. 480 non-credit and credit activities:

67-445 O—93——24

27–3

# FY 1994 P.L.480 APPROPRIATION REQUEST



PUBLIC LAW 480
Available Funds
1992 Actual and Estimated, 1993 and 1994

| Item | 1992 Actual a/ | 1993 Estimated | 1994 Estimated |
|---|---|---|---|
| Financing the sale of agricultural commodities for dollars on credit terms and for foreign currencies, and furnishing commodities to carry out the Food for Progress Act of 1985 (Title I) | | | |
| Credit Authority | $494,819,000 | $509,996,000 | $456,092,000 |
| Subsidy | $371,519,000 | $342,003,000 | $351,237,000 |
| Administrative Expenses: | | | |
| OGSM | 1,242,000 | 1,467,000 | 1,500,000 |
| ASCS | 573,000 | 1,036,000 | 1,057,000 |
| Total admin expenses (Title I) | 1,815,000 | 2,503,000 | 2,557,000 |
| Title I and Admin Expenses Available: | | | |
| Title I Credit Authority | 494,819,000 | 509,996,000 | 456,092,000 |
| Credit Subsidy and Admin Expenses | 373,334,000 | 344,506,000 | 353,794,000 |
| Ocean freight differential (Title I) | 39,603,000 | 45,280,000 | 46,503,000 |
| Commodities supplied in connection with dispositions abroad (Title II) | 746,472,000 | 810,000,000 | 831,870,000 |
| Commodities supplied in connection with dispositions abroad (Title III) | 323,594,000 | 333,594,000 | 283,594,000 |
| PL 480 Grant appropriation: Title I ocean freight differential, Title II and Title III programs | 1,109,669,000 | 1,188,874,000 | 1,161,967,000 |
| Total program costs funded | 1,604,488,000 | 1,698,870,000 | 1,618,059,000 |
| Total available (P.L. 480) b/ | 1,483,003,000 | 1,533,380,000 | 1,515,761,000 |
| Total credit sales limitation | 494,819,000 | 509,996,000 | 456,092,000 |

a/ Titles I, II, and III funds were reapportioned in June 1992 to make an additional $45 million available for obligation under Title II for emergency relief in Africa and other areas. ($7.8 million was transferred from Title I program level and subsidy, $12.2 million was transferred from Title I Ocean Freight Differential, and $25 million was transferred from Title III.) In July 1992, Title I and Title II funds were reapportioned to make an additional $6 million available for obligation under Title I for emergency relief in Georgia, an independent state of the former Soviet Union. In August, 1992, Title I and Title III funds were reapportioned to make an additional $15 million available for obligation under Title III for assistance to drought-stricken Zambia.

b/ Includes amounts available for P.L. 480 administrative expenses. Farmer-to-Farmer program costs included in available funds: FY 1992=$11.4 million, FY 1993=$13.4 million, FY 1994=$13.2 million.

Notes: Effective in fiscal year 1992, obligations incurred in a fiscal year under Public Law 480 Title I are based on the date the purchase authorization is issued with an anticipated export date by December 31. Title II obligations incurred are based on a commodity contract award date issued by September 30 with an anticipated export date of December 31. Title III obligations are based on the date the request for commodity purchase is made (the "call forward" date), with a commodity contract award date by September 30.

Beginning in fiscal year 1992, under credit reform procedures, obligations for Title I purchase authorizations are limited to the credit level amount in the appropriation language. The related subsidy will be based on country risk assessments and the total limited to the appropriated subsidy. Credit sales made are financed from the financing account. Related Title I ocean freight differential costs are paid from a separate P.L. 480 grant account as are Title II and III program costs. Financing of Title I obligations incurred prior to fiscal year 1992 is carried out through the liquidating account. P.L. 480 funds and authorities for all three titles remain available until expended, unless otherwise provided.

The following table reconciles the program level to program costs financed by the P.L. 480 appropriation:

Reconciliation of Budget Authority to On-Budget Outlays

| | FY 1992 Actual a/ | FY 1993 Estimated | FY 1994 Estimated |
|---|---|---|---|
| Title I | | | |
| Budget Authority, Credit Subsidy | $371,519,000 | $342,003,000 | $351,237,000 |
| Budget Authority, Admin Expenses | 1,815,000 | 2,503,000 | 2,557,000 |
| Prior Year obligations financed | --- | 231,030,280 | 82,081,280 |
| Obligations financed in the succeeding year | -231,030,280 | -82,081,280 | -84,297,280 |
| Outlays, Title I program account | 142,303,720 | 493,455,000 | 351,578,000 |
| Budget Authority, Title I Ocean Freight Differential (OFD) | 39,603,000 | 45,280,000 | 46,503,000 |
| Prior Year obligations financed | 12,000,012 | 31,689,000 | 10,867,000 |
| Obligations financed in the succeeding year | -31,689,000 | -10,867,000 | -11,161,000 |
| Outlays, Title I OFD | 19,914,012 | 66,102,000 | 46,209,000 |
| Outlays, Total Title I | 162,217,732 | 559,557,000 | 397,787,000 |
| Title II | | | |
| Commodity Costs | 401,477,530 | 469,870,000 | 540,137,000 |
| Ocean and inland transportation | 321,779,500 | 318,510,000 | 270,069,000 |
| Farmer-to-Farmer Assistance b/ | 13,214,970 | 11,620,000 | 11,664,000 |
| Transfers to Private Voluntary Organizations (PVO's) c/ | 10,000,000 | 10,000,000 | 10,000,000 |
| Title II, Budget Authority | 746,472,000 | 810,000,000 | 831,870,000 |
| Prior Year obligations financed | 271,283,174 | 213,912,000 | 194,400,000 |
| Obligations financed in the succeeding year | -213,912,000 | -194,400,000 | -199,649,000 |
| Outlays, Title II | 803,843,174 | 829,512,000 | 826,621,000 |
| Title III | | | |
| Commodity Costs | 233,189,100 | 239,494,000 | 203,794,000 |
| Ocean and inland transportation | 90,404,900 | 93,400,000 | 79,200,000 |
| Farmer-to-Farmer Assistance | --- | 700,000 | 600,000 |
| Title III, Budget Authority | 323,594,000 | 333,594,000 | 283,594,000 |
| Prior Year obligations financed | 240,535,856 | 181,213,000 | 166,797,000 |
| Obligations financed in the succeeding year | -181,213,000 | -166,797,000 | -141,797,000 |
| Outlays, Title III | 382,916,856 | 348,010,000 | 308,594,000 |
| On-Budget Outlays, Total PL 480: | | | |
| Program Account: | | | |
| Outlays, Title I | 142,303,720 | 493,455,000 | 351,578,000 |
| Grant Account: | | | |
| Title I Ocean freight differential | 19,914,012 | 66,102,000 | 46,209,000 |
| Title II | 803,843,174 | 829,512,000 | 826,621,000 |
| Title III | 382,916,856 | 348,010,000 | 308,594,000 |
| Outlays, Grant Account | 1,206,674,042 | 1,243,624,000 | 1,181,424,000 |
| Outlays, PL 480 | 1,348,977,762 | 1,737,079,000 | 1,533,002,000 |

a/ Reflects the following transfers in program level and appropriation: $25.0 million from Title III to Title II, $12.2 million from Title I OFD to Title II, $7.8 million from Title I program account to Title II, $6 million from Title II to Title I, and $15 million from Title I to Title III. Authority for the transfers is contained in the Agricultural, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1992 (P.L. 102-142).

b/ Includes technical assistance to be made available to the newly independent states of the former Soviet Union.

c/ Provides funds for private voluntary organizations and cooperatives to assist in meeting administrative, management and internal transportation and distribution costs for carrying out Title II programs.

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

1 Public Law 480 Program and Grant Accounts
(Including Transfers of Funds)

For expenses during the current fiscal year, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691, 1701-1715, 1721-1726, 1727-1727f, 1731-1736g), as follows: (1) [$509,996,000] $456,092,000 for Public Law 480 title I credit, including Food for Progress credit; (2) [$45,280,000] $46,503,000 is hereby appropriated for ocean freight differential costs for the shipment of agricultural commodities pursuant to title I of said Act and the Food for Progress Act of 1985, as amended; (3) [$810,000,000] $831,870,000 is hereby appropriated for commodities supplied in connection with dispositions abroad pursuant to title II of said Act; and (4) [$333,594,000] $283,594,000 is hereby appropriated for commodities supplied in connection with dispositions
2 abroad pursuant to title III of said Act: Provided, That not to exceed [10] 15 per centum of the funds made available to carry out any title of said Act may be used to carry out any other title of said Act: Provided further, That such sums shall remain available until expended (7 U.S.C. 2209b).

For the cost, as defined in section 502 of the Congressional Budget Act of 1974, of direct credit agreements as authorized by the Agricultural Trade Development and Assistance Act of 1954, as amended, and the Food for Progress Act of 1985, as amended, including the cost of modifying credit agreements under said Act, [$342,003,000] $351,237,000.

In addition, for administrative expenses to carry out the Public Law 480 title I credit program, and the Food for Progress Act of 1985, as amended, to the extent funds appropriated for Public Law 480 are utilized, [$2,503,000] $2,557,000.

The first change adds grant to the title of this section of the appropriations language since the Public Law 480 Program and Grant Accounts are funded through this section of the appropriations language.

The second change increases the percentage of funds allowed to be transferred between titles to 15 percent to permit more flexibility in responding to the needs of importing countries.

Debt Restructuring Under the Enterprise for the Americas

For the cost, as defined in section 502 of the Congressional Budget Act of 1974, of modifying direct credit agreements as authorized by title VI of the Agricultural Trade Development and Assistance Act of 1954, as amended, [$40,000,000] $32,574,000, to remain available until expended.

This change will provide greater flexibility in implementation of the debt reduction inititative.

P.L. 480 PROGRAM ACCOUNT-DIRECT CREDIT

| | Limitation on Direct Credit | Subsidy | Administrative Expenses |
|---|---|---|---|
| Appropriations Act, 1993 | $509,996,000 | $342,003,000 | $2,503,000 |
| Budget Estimate, 1994 | 456,092,000 | 351,237,000 | 2,557,000 |
| Increase or Decrease in Amount | -53,904,000 | 9,234,000 | 54,000 |

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriations)

| Item of Change | 1993 Estimated | Change | 1994 Estimated |
|---|---|---|---|
| P.L. 480 Direct Credit Level | $509,996,000 | -$53,904,000 | $456,092,000 |
| Subsidy costs | 342,003,000 | 9,234,000 | 351,237,000 |
| Administrative expenses: | | | |
| General Sales Manager | 1,467,000 | $33,000 | 1,500,000 |
| ASCS | 1,036,000 | $21,000 | 1,057,000 |
| Total, Administrative Expenses | 2,503,000 | $54,000 | 2,557,000 |

Public Law 480 Grants
(on basis of appropriation)

| | (Title I) Ocean Freight Differential | (Title II) Emergency and Private Assistance Programs a/ | (Title III) Food for Development a/ | Total |
|---|---|---|---|---|
| Appropriations Act, 1993 | $45,280,000 | $810,000,000 | $333,594,000 | $1,188,874,000 |
| Budget Estimate, 1994 | 46,503,000 | 831,870,000 | 283,594,000 | 1,161,967,000 |
| Increase or Decrease in Appropriation | 1,223,000 | 21,870,000 | -50,000,000 | -26,907,000 |

a/ Commodities supplied in connection with dispositions abroad.

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

| Item of Change | 1993 Estimated | Program Changes | 1994 Estimated |
|---|---|---|---|
| Ocean Freight Differential (Title I) | $45,280,000 | $1,223,000 | $46,503,000 |
| Commodities supplied in connection with dispositions abroad (Title II) | 810,000,000 | 21,870,000 | 831,870,000 |
| Commodities supplied in connection with dispositions abroad (Title III) | 333,594,000 | -50,000,000 | 283,594,000 |
| Total Appropriation | 1,188,874,000 | -26,907,000 | 1,161,967,000 |

PUBLIC LAW 480
PROJECT STATEMENT
(on basis of appropriation and available funds)

| Project | 1992 Actual | 1993 Estimated | Increase or Decrease | 1994 Estimated |
|---|---|---|---|---|
| 1. Financing the sale of agricultural commodities for dollars on credit terms and for foreign currencies, and furnishing commodities for Food for Progress, and for administrative expenses (Title I) | | | | |
| Direct Credit: | $494,819,000 | $509,996,000 | -$53,904,000 | $456,092,000 |
| Subsidy: | 371,519,000 | 342,003,000 | 9,234,000 | 351,237,000 |
| Administrative Expenses: | 1,815,000 | 2,503,000 | 54,000 | 2,557,000 |
| 2. Ocean Freight Differential (Title I) | 39,603,000 | 45,280,000 | 1,223,000 | 46,503,000 |
| 3. Commodities supplied in connection with dispositions abroad (Title II) | 746,472,000 | 810,000,000 | 21,870,000 | 831,870,000 |
| 4. Commodities supplied in connection with dispositions abroad (Title III) | 323,594,000 | 333,594,000 | -50,000,000 | 283,594,000 |
| Total, appropriation | 1,483,003,000 | 1,533,380,000 | -17,619,000 | 1,515,761,000 |
| P.L. 480 Summary: | | | | |
| Direct Credit | 494,819,000 | 509,996,000 | -53,904,000 (1) | 456,092,000 |
| Subsidy | 371,519,000 | 342,003,000 | 9,234,000 (2) | 351,237,000 |
| Administrative Expenses | 1,815,000 | 2,503,000 | 54,000 (3) | 2,557,000 |
| Grants | 1,109,669,000 | 1,188,874,000 | -26,907,000 (4) | 1,161,967,000 |

The preceding project statement reflects estimated program costs on the basis of appropriation and available funds, including 1991 obligations financed in fiscal year 1992 from available unexpended 1991 balances and 1992 funds. The rate at which expenditures and obligations are made under these programs is influenced by crop conditions, commodity availability, economic conditions in receiving countries, availability of shipping, port facilities, and similiar factors.

The amounts requested in the appropriation for the Title I program account in fiscal year 1994 consist of the subsidy amount of $351,237,000 to fund Title I direct credit of $456,092,000 and related administrative expenses of $2,557,000. Programming under Title I takes place to the extent that appropriated subsidy amounts are available. Unused subsidy amounts expire at the end of the program year to the extent the direct credit level is not fully obligated. Receipts from Title I direct credit issued prior to fiscal year 1992, proceeds from sales of foreign currencies or unexpended balances were not available to reduce the Title I appropriation request for fiscal years 1992 and 1993 and are not available to reduce the appropriation request for fiscal year 1994.

The amounts provided in the appropriation for Title II or Title III are not fully controlling since the basic law permits the Government to enter into multi-year programs of assistance involving expenditures which must be financed from subsequent appropriations. However, such programs may not exceed the program level authorized in appropriation acts, adjusted for transfers to or from Title I, within amounts specified by the proviso in the appropriation language. If funds appropriated for Titles II and III are in excess of amounts actually used in an actual year, adjusted for any applicable transfers, such amounts are applied against current year estimated costs and reduce the subsequent appropriations requested for the budget year.

## EXPLANATION OF PROGRAM

Under Public Law 480, as amended, exports of available agricultural commodities are made to developing countries. Factors determining commodity availability are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports, and adequate carryover. No commodity is available for disposition if it would reduce the domestic supply below that which is needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars, unless the Secretary determines that some part of the supply should be used for urgent humanitarian purposes. No commodities may be made available except upon determination that adequate storage facilities are available in the recipient country at the time of exportation to prevent spoilage or waste and that the distribution will not be a substantial disincentive to the recipient country's domestic production. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

No agreements may be made with the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights or other flagrant denial of the right to life, liberty, and personal security unless the use of the commodities themselves or proceeds from their sale is targeted to the most needy people of that country and is made available through channels other than the government.

The authorization for agreements to finance sales and programs of assistance under Public Law 480 was extended through December 31, 1995, by amendments included in the FACT Act, Public Law 101-624, signed November 28, 1990.

## TITLE I

The P.L. 480 Title I appropriation finances all sales made pursuant to agreements concluded under Title I. Sales are made to developing countries--as defined in section 402(4) of the Act--and do not displace expected commercial sales for cash dollars (sections 403(e) and (h)).

In order to stimulate and increase sales for dollars through credit, this title provides for sales of U.S. farm products under long-term credit arrangements. The purpose is to expand international trade, develop and expand export markets, and encourage economic development in the developing countries. Agreements are made with the governments of developing nations.

Repayments for agricultural commodities sold under Title I may be made, with interest at a concessional rate as determined by the Secretary, either in U.S. dollars or in local currencies on credit terms up to 30 years, with a grace period of up to seven years. Interest is charged from the date of last delivery in each calendar year. Payments received under fiscal year 1992 and future agreements will be deposited in a financing account for use by the U.S. Treasury to offset U.S. Government outlays.

Local currencies received under Title I sales agreements may be used in carrying out activities under section 104 of the Agricultural Trade Development and Assistance Act of 1954, as amended. Activities in the recipient country for which these local currencies may be used include developing new markets for U.S. agricultural commodities on a mutually beneficial basis, paying U.S. obligations, and supporting agricultural development or research.

Under the Food for Progress Act of 1985, the Corporation may finance the sale and exportation of agricultural commodities on credit terms, or on a grant basis, to support developing countries and countries that are emerging democracies and have commitments to introduce or expand free enterprise elements in their agricultural economies. For commodities furnished on a grant basis, the Corporation may pay,

in addition to acquisition costs and ocean transportation, such related commodity and delivery charges as are specified for commodities supplied under Title II.

For most sales agreements under Title I, the Corporation will pay ocean freight charges only to the extent of the differential between U.S.-flag rates and foreign-flag rates when U.S.-flag vessels are required to be used by authority of the Merchant Marine Act. In limited cases, full transportation costs to port of entry or point of entry abroad may be included with the cost of the commodity in the amount financed by CCC to ensure that U.S. food aid will reach the most needy recipients.

Section 411 of P.L. 480 authorizes the President to waive payments of principal and interest under dollar credit sales agreements for countries which are least developed and have in effect either an International Monetary Fund standby agreement, a structural adjustment program of the International Bank for Reconstruction and Development or if no agreement is in effect, the country is pursuing a policy to promote democratic, market-oriented and long-term economic development. If such authority is used to waive payments, no new Title I assistance may be provided for that country for two years following the date of the authorized waiver unless the President provides prior written justification to the Congress.

## TITLE II

Under Title II, as amended, commodities are supplied to foreign countries to combat malnutrition, to meet famine or other urgent relief requirements, promote sound environmental practices and carry out the United States' commitment to the World Food Program.

Amendments to Title II statutory authorities included in the Food, Agriculture, Conservation, and Trade Act of 1990 require that a minimum of 1.925 million metric tons (grain equivalent basis) of agricultural commodities be programmed in fiscal year 1991. The minimum Title II program requirement increases by 25,000 metric tons for each subsequent year through fiscal year 1995. Of the 1991 program requirement, a minimum 1.450 million metric tons (grain equivalent basis) were to be distributed for nonemergency programs through voluntary agencies, cooperatives and the World Food Program, unless the Administrator of the Agency for International Development (AID) determines and reports to Congress that such an amount cannot be used effectively or is needed in order to meet an emergency. The nonemergency program requirement also increases by 25,000 metric tons for each subsequent year through fiscal year 1995.

Commodities requested may be furnished from the Corporation's inventory acquired under price support programs or purchased from private stocks. Commodities furnished from the Corporation's inventory which are acquired under a domestic price support program are valued at a price not greater than the export market price at the time of delivery for purposes of determining the reimbursement due the Corporation.

The Corporation also finances the costs of ocean transportation to ports of entry, or to points of entry other than ports in the case of landlocked countries, or when the use of a point of entry other than port would result in substantial savings in costs or time.

The Corporation may also pay transportation costs from designated ports of entry or points of entry abroad to storage and distribution sites, and associated storage and distribution costs for commodities, including prepositioned commodities, made available to meet urgent or extraordinary relief requirements.

Local distribution is usually made by nonprofit voluntary agencies, including foreign voluntary agencies when no United States agency is available, as well as by local governments.

For fiscal years 1991 through 1995, no less than $10.0 million nor more than $13.5 million of the funds provided annually for Title II shall be made available to private voluntary organizations and cooperatives to assist these organizations in establishing new Title II programs or to meet specific administrative, management and internal transportation and distribution costs for carrying out Title II programs in foreign countries. A request for such funds must be made by the organization and is subject to approval by the Administrator of AID.

Amendments made by the FACT Act also establish a Food Aid Consultative Group headed by the Administrator to meet on an on-going basis to review and address Title II regulations and procedures for their effectiveness in governing Title II programs. The Group shall terminate on December 31, 1995.

Assistance under Title II is directed toward activities designed to alleviate the causes of the need for such aid. Programs of assistance shall not be undertaken under this title during any fiscal year which call for an appropriation to reimburse the Corporation in excess of $1 billion plus the unused prior year's authorization.

## TITLE III

The Agricultural Trade Development and Assistance Act of 1954, as amended in 1990, established a new Title III program, beginning January 1, 1991. AID administers the Title III program.

Under this new program, which emphasizes the integration of U.S. food aid programs into the development programs of the U.S. government and those of the recipient country, commodities are donated to least developed countries. The donated commodities may be used as balance of payments or economic sector support to encourage policy reform or may be sold in the recipient country and the revenue generated may be used in that country to promote economic development. The law also stresses several specific development themes including enhancement of food security, privatization of food and agricultural distribution systems, and support of nutrition improvement and child survival initiatives. In addition, Title III resources may generally be used to promote broad-based, equitable, and sustainable economic development, including agriculture.

The "least developed" countries are defined in section 302 of P.L. 480 and are based on the poverty criteria established for Civil Works Preference by the World Bank. For fiscal year 1993, this criteria included countries with a per capita GNP of less than $635.

Countries that do not meet the poverty criteria may still be considered "least developed" for purposes of Title III eligibility if they meet each of the following three food deficit criteria established in P.L. 480: the daily per capita consumption of the country is less than 2,300 calories; the mortality rate of children under five years of age in the country is in excess of 100 per 1,000 births; and the country is unable to meet its food security requirements through domestic production or imports due to a shortage of foreign exchange earnings.

Based on the fiscal year 1993 guidelines, 54 countries, one-half of which are in Africa, are identified as "least developed," and are therefore considered eligible for Title III food aid.

Although a country may satisfy the definition of a "least developed country," it still may not be provided assistance under Title III if other statutory or policy restrictions or funding constraints on providing assistance to that country exist.

The U.S. Government will donate Title III agricultural commodities without charge to the recipient country and will arrange for and pay the costs of purchasing, processing, handling and transporting the commodities to the port or point of entry in the recipient country.

## FOOD SECURITY WHEAT RESERVE

The Food Security Wheat Reserve was established under authority of the Food Security Wheat Reserve Act of 1980 (P.L. 96-494). The Act authorizes a reserve of up to 147 million bushels (four million metric tons) of wheat which can be made available for programming through P.L. 480 to provide emergency humanitarian food assistance to developing countries.

Wheat from the reserve can be released by the President under two conditions. First, up to four million metric tons of the reserve can be made available for P.L. 480 programming any time the U.S. domestic supply of wheat is so limited that quantities of wheat cannot be made available for P.L. 480 under the availability criteria set forth in Section 401(a) of the Agricultural Trade Development and Assistance of 1954. Second, up to 300,000 metric tons of wheat may be released from the reserve in any fiscal year for use under Title II to provide urgent humanitarian relief in any developing country suffering a major disaster, and when the normal means of obtaining commodities for food assistance make timely programming impossible. Reimbursement to the Corporation for wheat released from the reserve is to be made from funds made available to P.L. 480 at the lower of the actual costs incurred by the Corporation or the export market price of wheat, as determined by the Secretary, at the time of export. The FACT Act added a provision requiring replenishment of the reserve no later than 18 months after the release of stocks. Replenishment may be made either through purchases to the extent funds are appropriated in advance and provided that such purchases do not unduly disrupt the market, or by designating an equivalent quantity of CCC-owned wheat from uncommitted stocks.

## DEBT REDUCTION - ENTERPRISE FOR THE AMERICAS (EAI)

Debt reduction is authorized for P.L 480 Title I under the Enterprise for the Americas Initiative, Title VI of the Agricultural Trade Development and Assistance Act of 1954, as amended. Debt reduction for outstanding Title I direct credit as of January 1, 1990 is authorized for Latin American and Caribbean countries which meet certain eligibility requirements including making significant progress toward establishing an International Monetary Fund standby arrangement, placing into effect major investment reforms in conjunction with an InterAmerican Development Bank loan and, if applicable, arranging with its commercial bank lenders a debt service reduction. In fiscal year 1993, the U.S. government signed EAI agreements with El Salvador and Uruguay reducing P.L. 480 Title I debt outstanding by 80% and 40%, respectively.

JUSTIFICATION OF INCREASES AND DECREASES
P.L. 480 PROGRAM ACCOUNT (DIRECT CREDIT)

(1) A decrease of $53,904 thousand in Title I direct credit ($509,996 thousand appropriated for FY 1993)

Need for Change. This decrease, which reflects a shift in programming to higher risk countries, represents the program level achievable given the FY 1994 subsidy request.

Nature of Change. This decreased program level will provide commodity shipments of 2.627 million metric tons grain equivalent (MMTGE) compared to 2.866 MMTGE estimated for FY 1993.

(2) An increase of $9,234 thousand in Title I subsidy ($342,003 thousand appropriated for FY 1993)

Need for Change. Under credit reform requirements, the lifetime subsidy cost of direct credit must be requested in advance through appropriation.

Nature of Change. This increase in subsidy is due to a shift of program level to countries with higher anticipated subsidy costs.

(3) An increase of $54 thousand in total administrative expenses ($2,503 thousand appropriated for FY 1993)

Need for Change: Administrative expenses are transferred to OGSM and ASCS for administration of P.L. 480 Title I credit sales. These increases are based on the scope and complexities of administering credit reform requirements.

Nature of Change: The increase in estimated administrative expenses transferred to OGSM is $33 thousand and the increase in estimated administrative expenses transferred to ASCS is $21 thousand.

JUSTIFICATION OF INCREASES AND DECREASES
P.L. 480 GRANT ACCOUNT

(4) A net decrease of $26,907 thousand for P.L. 480 grants ($1,188,874 thousand appropriated for FY 1993) consisting of:

(a) An increase of $1,223 thousand in Title I ocean freight differential costs ($45,280 thousand appropriated for FY 1993)

Need for Change. This increase is due to technical assumptions used to formulate the President's Budget.

Nature of Change. Any additional cost of shipping P.L. 480 Title I program commodities on U.S. flag ships is paid through the P.L. 480 program.

(b) An increase of $21,870 thousand in Title II program costs ($810,000 thousand appropriated for FY 1993)

Need of Change. This increase is due to higher anticipated commodity shipments.

Nature of Change. This increased program level will provide commodity shipments of 2.394 million metric tons grain equivalent (MMTGE) compared to 2.152 MMTGE in FY 1993.

(c) A decrease of $50,000 thousand in Title III program costs ($333,594 thousand appropriated for FY 1993)

Need for Change: This decrease is in response to the President's deficit reduction proposals, resulting in lower anticipated commodity shipments.

Nature of Change: This decreased program level will provide commodity shipments of 1.257 million metric tons grain equivalent (MMTGE) compared to 1.410 MMTGE in FY 1993.

An illustrative commodity mix of the program at the requested level is as follows:

| TITLE I | FY 1992 Actual | | FY 1993 Est. | | FY 1994 Est. | |
|---|---|---|---|---|---|---|
| | ($Mill) | (000 MTGE) | ($Mill) | (000 MTGE) | ($Mill) | (000 MTGE) |
| Wheat/Wheat Flour | 229.1 | 1,594 | 272.1 | 1,851 | 239.1 | 1,730 |
| Rice | 29.5 | 103 | 48.6 | 191 | 42.7 | 144 |
| Feed Grains | 56.0 | 554 | 50.3 | 524 | 44.1 | 450 |
| Vegetable Oil | 56.7 | 120 | 64.7 | 130 | 56.8 | 116 |
| Oilseeds and Meal | 48.7 | 235 | 36.6 | 133 | 32.1 | 149 |
| Tallow | 13.5 | 44 | 14.1 | 37 | 12.4 | 38 |
| Cotton | 17.8 | 7 | 0.0 | 0 | 0.0 | 0 |
| Other | 1.0 | | | | | |
| Total Commodities | 452.3 | 2,656 | 486.4 | 2,866 | 427.2 | 2,627 |
| Ocean Freight Differential | 39.6 | | 45.3 | | 46.5 | |
| Farmer-to-Farmer Program | | | 1.1 | | 0.9 | |
| Ocean Freight Financing | 16.1 | | 12.1 | | 15.0 | |
| Ocean Freight Grants | 26.4 | | 10.4 | | 13.0 | |
| Title I Program Level | 534.4 | | 555.3 | | 502.6 | |

| TITLE II | FY 1992 Actual | | FY 1993 Est. | | FY 1994 Est. | |
|---|---|---|---|---|---|---|
| | ($Mill) | (000 MT) | ($Mill) | (000 MT) | ($Mill) | (000 MT) |
| Wheat & products | 161.9 | 978 | 145.8 | 915 | 167.6 | 1,006 |
| Feed Grains and products | 46.6 | 316 | 33.3 | 322 | 38.2 | 356 |
| Rice | 76.5 | 242 | 57.2 | 194 | 65.8 | 222 |
| Vegetable Oil | 93.1 | 137 | 110.8 | 156 | 127.4 | 170 |
| Soybean Meal | 2.1 | 9 | 0.0 | 0 | 0 | 0 |
| Pulses | 34.8 | 79 | 42.3 | 109 | 48.6 | 123 |
| Non-fat Dried Milk | 3.7 | 12 | 0.0 | 0 | 0.0 | 0 |
| Blended Foods | 82.9 | 263 | 80.5 | 306 | 92.5 | 336 |
| Total Commodities | 501.6 | 2,036 | 469.9 | 2,002 | 540.1 | 2,213 |
| PVO admin cost | 10.0 | | 10.0 | | 10.0 | |
| Farmer-to-Farmer Program | 11.4 | | 11.6 | | 11.7 | |
| Ocean Transportation | 280.8 | | 318.5 | | 270.1 | |
| Total Program Level | 803.8 | | 810.0 | | 831.9 | |
| Thousand Metric Tons Gr Eq. | | 2,217 | | 2,152 | | 2,394 |

| TITLE III | FY 1992 Actual | | FY 1993 Est. | | FY 1994 Est. | |
|---|---|---|---|---|---|---|
| | ($Mill) | (000 MT) | ($Mill) | (000 MT) | ($Mill) | (000 MT) |
| Wheat/wheat flour | 207.2 | 1503 | 146.4 | 997 | 124.7 | 902 |
| Rice | 21.3 | 66 | 23.8 | 94 | 20.2 | 68 |
| Feed Grains | 39.2 | 335 | 18.8 | 196 | 16.0 | 163 |
| Vegetable Oil | 22.0 | 47 | 21.8 | 90 | 18.5 | 96 |
| Tallow | 4.0 | 13 | 6.9 | 18 | 5.9 | 16 |
| Beans | 0.6 | 1 | 0.0 | 0 | 0.0 | 0 |
| Upland cotton | 0.0 | 0 | 21.8 | 15 | 18.5 | 12 |
| Total Commodities | 294.3 | 1,965 | 239.5 | 1,410 | 203.8 | 1,257 |
| Ocean Freight Cost | 88.6 | | 93.4 | | 79.2 | |
| Farmer-to-Farmer Program | 0.0 | | 0.7 | | 0.6 | |
| Total Program Level | 382.9 | | 333.6 | | 283.6 | |
| Thousand Metric Tons Gr Eq. | | 1,970 | | 1,410 | | 1,257 |

DEBT RESTRUCTURING
Available Funds
1992 Actual and Estimated 1993 and 1994

| Item | 1992 Actual | 1993 Estimated | 1994 Estimated |
|---|---|---|---|
| Debt restructuring under the Enterprise for the Americas Initiative (EAI): | | | |
| Expected Value of Loans Forgiven | --- | $72,950,000 a/ | 63,176,000 |
| Subsidy | --- | $40,000,000 | 32,574,000 |

a/ Reflects combined expected principal loan value transferred to the PL 480 liquidating account as a result of EAI debt restructuring. Under EAI debt restructuring, the P.L. 480 liquidating account must be reimbursed for the principal loan value determined on a net present value basis.

DEBT RESTRUCTURING

| | Expected Value of Loans Forgiven - EAI | Subsidy |
|---|---|---|
| Appropriations Act, 1993 | $72,950,000 | $40,000,000 |
| Budget Estimate, 1994 | 63,176,000 | 32,574,000 |
| Decrease in Amount | -9,774,000 | -7,426,000 |

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

| Item of Change | 1993 Estimated | Program Change | 1994 Estimated |
|---|---|---|---|
| Expected Value of Loans Forgiven | $72,950,000 | -$9,774,000 | $63,176,000 |
| Subsidy | 40,000,000 | -7,426,000 | 32,574,000 |

PROJECT STATEMENT
(on basis of appropriation and available funds)

| Project | 1992 Actual | 1993 Estimated | Decrease | 1994 Estimated |
|---|---|---|---|---|
| Debt restructuring under the Enterprise for the Americas Initiative (EAI): | | | | |
| Expected Value of Loans Forgiven | --- | $72,950,000 | -9,774,000 (1) | $63,176,000 |
| Subsidy | --- | 40,000,000 | -7,426,000 (2) | 32,574,000 |

JUSTIFICATION OF INCREASES AND DECREASES
DEBT RESTRUCTURING PROGRAM ACCOUNT

(1) A decrease of $9,774 thousand in EAI debt restructuring ($72,950 thousand estimated for FY 1993)

Nature of Change: This decrease will allow for a lower level of debt forgiveness under EAI.

(2) A decrease of $7,426 thousand in EAI subsidy ($40,000 thousand appropriated for FY 1993)

Nature of Change: This decrease in subsidy is due to lower levels of anticipated debt forgiveness under EAI in response to the President's deficit reduction proposals.

TUESDAY, FEBRUARY 23, 1993.

## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

### WITNESSES

CHARLES J. O'MARA, ACTING UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, DEPARTMENT OF AGRICULTURE

JOHN MIRANDA, ACTING ADMINISTRATOR, OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

PETER HOGAN, BUDGET OFFICER, OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

### OPENING REMARKS

Mr. DURBIN. Next we will hear from the Office of International Cooperation and Development. Your statement will be made part of the record.

[CLERK'S NOTE.—The Acting Administrator's prepared statement appears on pages 769 through 781. The Explanatory Notes were received by the Committee on May 10, 1993 and appear on pages 782 through 800.]

Mr. O'MARA. Would you like to go directly to questions or would you like Mr. Miranda to make a few opening remarks?

Mr. DURBIN. Mr. Miranda, do that and then we will ask questions.

Mr. MIRANDA. Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to share with you the work of USDA's Office of International Cooperation and Development.

#### MISSION OF OICD

Our programs are aimed at strengthening U.S. agriculture's global competitiveness and leadership. At the same time, they help support economic growth in the developing countries of Asia, Africa and Latin America and in the emerging democracies of Eastern Europe and the former Soviet Union.

O.I.C.D. was established in 1978 and was given responsibility for the Department of Agriculture's programs related to international scientific and technical exchanges, liaison with international organizations, international technical assistance and training and international collaborative research.

The agency was established to increase efficiency and improve communication within the department regarding international development activities. It also provided a much needed central point of contact for people in USDA, other Federal agencies, the university community and the private sector who needed information or

assistance related to the international development activities of the department.

## FY 1992 PROGRAMS

In fiscal year 1992, OICD carried out its work with a budget of $38.8 million. Less than 20 percent of this, only $7.2 million came from direct appropriation. The largest part of the agency's budget, $28.4 million, came from the reimbursable technical assistance, research and training programs that OICD manages. These programs are funded mainly by the Agency for International Development and international organizations such as the World Bank.

Trust fund programs from foreign governments in technical assistance and training added another $3.2 in fiscal 1992.

Our job at OICD is to manage USDA's international programs, maximizing the benefits to both the United States and other countries. We do this by reaching out, identifying and using the vast resources available in the U.S. agricultural and scientific communities to meet the needs identified by the various organizations who call on us.

One example of our work is a major long-term scientific exchange program with China, a country with a vast reservoir of germplasm resources important for the improvement, protection and continued diversity of U.S. crops.

Our programs also help develop a strong, healthy U.S. private sector. Last year, we sponsored agribusiness opportunity missions for U.S. businessmen and women in Guatemala, the Dominican Republic, and Jamaica. Through these missions, U.S. entrepreneurs gain the opportunity to meet and develop joint partnerships with their counterparts in other countries. Developing joint ventures and other business linkages puts American companies in a stronger position to gain access to markets for U.S. agricultural and other products.

Part of building strong overseas markets for U.S. goods and services is developing future trading partners to purchase these commodities. Through our Cochran Fellowship Program USDA trains young professionals from middle-income countries and emerging democracies and exposes them to U.S. systems, goods and services to foster mutual trade and promote development.

The Cochran Program is playing an especially important role in USDA's efforts to assist Russia and the other new republics in the former Soviet Union.

We are also heavily involved in global environmental issues. In a current major undertaking under our reimbursable programs, we are working closely with other USDA agencies to provide technical assistance to the Agency for International Development's national resource projects on a worldwide basis.

We also act as USDA's liaison with international organizations concerned with agriculture such as the Organization for Economic Cooperation and Development, the Food and Agriculture Organization of the U.N., the World Food Program and the Inter–American Institute for Cooperation in Agriculture.

In addition to our traditional work in the agricultural sector, new working relationships will be developed as follow-up to last

year's United Nations Conference on the Environment and Development.

FY 1993 BUDGET

For fiscal year 1993, OICD's appropriated budget is again $7.2 million. This is a small but very important component of our total budget, which is projected for this year at $45.7 million. This budget represents a 22 percent increase in our reimbursable and trust fund portfolio for fiscal year 1992.

As I mentioned earlier, OICD draws upon the resources of other USDA agencies, the U.S. Land Grant University system, other federal agencies and the private sector to carry out our programs.

We are actually in many cases the agency that showcases and provides to foreign governments and institutions abroad the significant talent and expertise encompassed in U.S. institutions. In fact, we have a governmental mission and responsibility but we operate much like a private sector entity within government rules and regulations. We do not have time to rest on our laurels because such a large part of our budget comes from reimbursable and trust funds, funds we must obtain and maintain through proven successes.

In closing, I would like to refer to a recently released study on the effects of developmental programs overseas. It reminds us of an important fact, that the rural poor are not an obstacle to economic recovery but the very key to producing it. To quote from the report, "Poverty is less of a failure of the poor, than a failure of policymakers to grasp their potential."

We at OICD do understand that untapped potential. We well recognize that the world is a global village, whether viewed from the perspective of trade, nutrition and health or the environment. OICD is proud of the role it plays in helping both U.S. agriculture and the global village preserve and strengthen the vital agricultural sector.

We continue to be USDA's window to the world and provide a unique service to the department for U.S. farmers and their neighbors worldwide.

Thank you.

GRAMEEN BANK

Mr. Durbin. Thank you, sir. Are you familiar with the Grameen Bank in Bangladesh?

Mr. Miranda. Yes, I am, sir.

Mr. Durbin. Have you done any work with that concept?

Mr. Miranda. Not within the U.S. Government. The International Fund for Agricultural Development, of course, was the organization that piloted that effort and we work with that international organization and have hopefully pushed them somewhat into trying to use that concept to put it into other countries like the Sudan.

Mr. Durbin. I was amazed at that. I saw first hand in the villages what it had done, the impact of that concept which basically is just a small loan to an individual to get started, buy a milk cow, do something that might enhance their income producing ability.

There is such a team concept to paying off the loan that they have a very, very low default rate.

What amazed me about that program was not just that it was dramatically enhancing the lives of the people involved but also the impact that it had on women in that country.

Mr. MIRANDA. Yes.

Mr. DURBIN. They were very actively involved in the project and it led to the elimination or diminution of dowries, more women being educated, more birth control efforts in that country. Such a fundamental basic concept of loaning $100 to a person who is penniless. And I am glad to hear that you are familiar with it and working with it.

Mr. MIRANDA. It is one of IFAD's most successful programs and something that we are certainly supporting.

Mr. DURBIN. Certainly in developing countries I think it has great potential.

PROGRAM OR FUNDING CHANGES

Have there been any significant changes either in how you will use your appropriated funds or how you will use the funds from AID since you last testified before the Committee? In other words, have you made any significant changes to your fiscal year 1993 program from what you proposed to the Committee at this time last year?

Mr. MIRANDA. There have been no significant changes to OICD programs compared to what we proposed last year.

SCREWWORM

Mr. DURBIN. Last year, we talked a little bit about the eradication of the screwworm from Libya that was funded by a consortium of 14 countries and six multilateral agencies. At that time, you advised us that a follow-up program of surveillance, monitoring, and quarantine would continue through October 1992. Has that work all been completed now?

Mr. MIRANDA. Yes, it has. The eradication effort was completed in June of 1992 and surveillance continued through October. More than 134,000 animals were inspected and no evidence was found of the New World Screwworms.

MIDDLE-INCOME COUNTRY TRAINING PROGRAM

Mr. DURBIN. How many students, and from what countries, were selected to participate in the Middle-Income Country Training Program during fiscal year 1992?

Mr. MIRANDA. In fiscal year 1992, a total of 472 participants from 21 countries received training under the MIC Program, which is also known as the Cochran Fellowship Program. We will provide a listing of the number of students, by country, for the record.

[The information follows:]

| *Region/Country:* | *Number of Participants* |
|---|---|
| Asia | |
| Korea | 18 |
| Taiwan | 11 |
| Malaysia | 15 |

| Region/Country: | Number of Participants |
|---|---|
| Singapore | 8 |
| Hong Kong | 3 |
| China (Guongdon Province) | 27 |
| Thailand | 9 |
| Subtotal | 91 |
| Non-EC Europe: | |
| Turkey | 15 |
| Yugoslavia | 2 |
| Poland | 80 |
| Hungary | 19 |
| Czechoslovakia | 113 |
| Bulgaria | 43 |
| Subtotal | 272 |
| Latin America/Africa/Middle East: | |
| Mexico | 50 |
| Venezuela | 25 |
| Cote d'Ivoire | 5 |
| Algeria | 8 |
| Trinidad & Tobago | 6 |
| Barbados & West Indies | 3 |
| Colombia | 8 |
| Panama | 4 |
| Subtotal | 109 |
| Total | 472 |

### 1993 MIC PROGRAM

Mr. DURBIN. What is the current status of the 1993 program? How many students will be selected and what countries will be involved?

Mr. MIRANDA. By mid-April 1993, Cochran Program staff will have completed interviews in the countries listed above, with the exception of Yugoslavia. The program in Yugoslavia has been suspended. In addition, Czechoslovakia is now split into two countries: the Czech Republic and Slovakia. We anticipate a total of 350 to 400 participants from these countries in 1993. As in 1992, some A.I.D. and Emerging Democracies Program funding will be made available to the program in order to expand the number of participants from Eastern Europe.

Mr. DURBIN. With the collapse of the Soviet Union, have you been expanding the number of students from those countries?

Mr. MIRANDA. Yes. OICD received funding under USDA's Emerging Democracies Program in late 1992 to initiate the program in 10 of the 12 newly independent states of the former Soviet Union. As of march 1993, the program has been started in 8 of these countries: Russia, Belarus, Ukraine, Kazakhstan, Armenia, Kyrgystan, Uzbekistan, and Turkmenistan. So far, over 100 participants have been selected, and we anticipate that approximately 60 more will participate this fiscal year. The Cochran Program will be introduced in Georgia and Moldova in the Spring of 1993. We have not initiated programs in Azerbaijan or Tajikistan.

Mr. DURBIN. Please provide for the record an object classification table for the program in fiscal years 1992 and 1993.

[The information follows:]

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT, COCHRAN FELLOWSHIP PROGRAM, OBJECT CLASS TABLE, FY 1992 AND 1993

| Object class and description | | FY 1992 actual | FY 1993 estimate |
|---|---|---|---|
| 11 | Personnel Compensation | $373,530 | $387,732 |
| 12 | Personnel Benefits | 89,710 | 88,003 |
| 21 | Travel | 202,963 | 174,800 |
| 22 | Transportation of Things | 6,981 | 1,000 |
| 23 | Communications and Utilities | 19,996 | 11,415 |
| 24 | Printing | 151 | 500 |
| 25 | Contracts | 515,010 | 515,049 |
| 26 | Supplies | 10,402 | 500 |
| 31 | Equipment | 502 | 0 |
| 41 | Grants | 604,936 | 645,000 |
| | Total | 1,824,000 | 1,824,000 |

### AID FUNDING

Mr. Durbin. What is the current estimate of AID funding for fiscal year 1993?

Mr. Miranda. For fiscal year 1993, the current estimate for AID funding is approximately $27.1 million.

### JAPANESE BEETLE PROJECT

Mr. Durbin. Please describe for the Committee the Japanese Beetle project and what role you play in it. You might also explain the background on this project.

Mr. Miranda. The U.S. Air Force, in cooperation with the Portuguese, operates a major air base at Lajes on Terceira Island in the Azores. In 1970, a Japanese beetle infestation was discovered on the island and, although the U.S. Government has never accepted responsibility for introducing the insect, the infestation has been an issue between the two governments, particularly in negotiations for U.S. rights to use the base.

In 1985, OICD, ARS, and APHIS carried out a feasibility study on Terceira in cooperation with the Regional Government of the Azores and funded by the U.S. Air Force. The study culminated in a joint U.S.-Portuguese recommendation for a biological control program to suppress the beetle population and, in fiscal year 1989, Congress appropriated $1 million to the Air Force for such a program.

The Air Force requested USDA assistance and OICD was given the role of coordinating the project. Working closely with the Regional Government of the Azores, other USDA agencies, particularly ARS and APHIS, and the Departments of Defense and State, OICD has coordinated program activities under the Japanese Beetle Suppression Program. This included hiring a USDA Biological Control Advisor to set up the program during 22 months in residence on Terceira. OICD also arranged for a quarantine specialist from APHIS to review Azores' quarantine regulations and recommend adjustments. OICD has coordinated short-term training courses in the U.S. for Azorean staff of the project, visits of consult-

ants from the U.S. to the project, as well as the purchase of equipment and supplies.

OTHER SERVICES

Mr. DURBIN. Please provide for the record a sub-object class breakdown for your "Other Services" account, similar to the one provided in previous years, showing the 1992 estimate, the 1992 actual, the 1993 estimate, and the 1993 current estimate.

[The information follows:]

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT—DETAIL BY OBJECT CLASS 25

[By sub-object]

| | | 1992 estimate | 1992 actual | 1993 estimate | 1993 current estimate |
|---|---|---|---|---|---|
| 2500 | Other Services | 0 | 0 | 0 | 0 |
| 2509 | NFC Agency Specific Costs | 0 | $3,889 | $3,977 | $3,977 |
| 2510 | Contractual Services Performed | $2,136 | 0 | 0 | 0 |
| 2512 | NFC Services | 104,982 | 93,742 | 95,867 | 95,867 |
| 2513 | WCF Equipment Use | 0 | 845 | 864 | 864 |
| 2514 | FPS (Security) | 0 | 17,767 | 18,170 | 18,170 |
| 2517 | Design Center Services | 56 | 1,450 | 1,483 | 1,483 |
| 2518 | Video and Film Center Services | 0 | 93 | 95 | 95 |
| 2520 | Personnel Related Expenditures | 0 | 552 | 565 | 565 |
| 2521 | Temporary Storage/HHG | 4,020 | 1,540 | 1,575 | 1,575 |
| 2523 | Training, Tuition, Fees | 422,880 | 270,487 | 276,620 | 276,620 |
| 2524 | Security Investigation Charges | 3,177 | 10,886 | 0 | 0 |
| 2525 | Reimbursable Details | 0 | 496 | 507 | 507 |
| 2527 | Representation and Courtesies | 242 | 1,874 | 1,917 | 1,917 |
| 2530 | Repair, Alteration, Maintenance | 41 | 38,233 | 39,100 | 39,100 |
| 2535 | Office Equipment Repair | 2,004 | 10,652 | 10,894 | 10,894 |
| 2538 | Telephone Equipment Repair | 404 | 7,846 | 8,024 | 8,024 |
| 2539 | Office Furniture Repair | 533 | 2,297 | 2,349 | 2,349 |
| 2540 | Contractual Services | 22,674 | 291,348 | 297,954 | 297,954 |
| 2548 | ADP Online Data Retrieval Svc | 0 | 3,155 | 3,226 | 3,226 |
| 2550 | Agreements | 544,849 | 242,718 | 248,221 | 248,221 |
| 2554 | Research | 548,673 | 683,548 | 699,046 | 699,046 |
| 2559 | Reimbursable Agreements | 189,975 | 303,809 | 310,697 | 310,697 |
| 2563 | Kansas City Computer Center | 0 | 1,469 | 1,503 | 1,503 |
| 2570 | Miscellaneous Services | 101,704 | 127,250 | 130,135 | 130,135 |
| 2572 | USDA Bulk Shipment—GPO | 0 | 11 | 11 | 11 |
| 2575 | Other Non-Travel Expenses | 20,668 | 10,529 | 10,768 | 10,768 |
| 2576 | Medical and Dental Care | 0 | 4,245 | 4,341 | 4,341 |
| 2579 | Legal Fees | 0 | 688 | 704 | 704 |
| 2580 | Fees | 477 | 14,124 | 14,444 | 14,444 |
| 2581 | Money Order Fees | 2,183 | 9 | 9 | 9 |
| 2592 | Distributed Overhead | 0 | 100 | 0 | 0 |
| | Total | 1,971,678 | 2,145,652 | 2,183,066 | 2,183,066 |

SUPPLIES AND MATERIALS

Mr. DURBIN. Please provide a similar table for the "Supplies and Materials" account and also for the "Equipment" account.

[The information follows:]

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT—DETAIL BY OBJECT CLASS 26

[By sub-object]

| | | 1992 estimate | 1992 actual | 1993 estimate | 1993 current estimate |
|---|---|---|---|---|---|
| 2600 | Supplies and Materials | $11,847 | $15,771 | $13,138 | $13,138 |
| 2630 | ADP Related Supplies | 0 | 60 | 50 | 50 |
| 2632 | ADP Software (noncapitalized) | 6,675 | 6,346 | 5,286 | 5,286 |
| 2639 | Other ADP Supplies and Materials | 51,661 | 23,969 | 19,966 | 19,966 |
| 2660 | Subscriptions/Pamphlets/Document | 8,023 | 8,684 | 7,234 | 7,234 |
| 2670 | Supplies and Materials (General) | 3,618 | 2,365 | 1,970 | 1,970 |
| 2671 | Central Supply Stores | 16,603 | 23,709 | 19,749 | 19,749 |
| 2672 | Copier Supplies | 38 | 0 | 0 | 0 |
| 2676 | Telephone Service Supplies | 1,118 | 72 | 60 | 60 |
| 2677 | Central Supply Forms | 852 | 1,033 | 861 | 861 |
| 2680 | GSA FEDSTRIP Supplies | 570 | 274 | 228 | 228 |
| | Total | 101,005 | 82,284 | 68,543, | 68,543 |

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT—DETAIL BY OBJECT CLASS 31

[By sub-object]

| | | 1992 estimate | 1992 actual | 1993 estimate | 1993 current estimate |
|---|---|---|---|---|---|
| 3100 | Equipment | 0 | $15,037 | $11,721 | $11,721 |
| 3112 | Capitalized Furniture/Equipment | 0 | 0 | 0 | 0 |
| 3116 | Capitalized ADP Software | 0 | 35,690 | 27,820 | 27,820 |
| 3118 | Capitalized Telephone Equipment | $1,225 | 0 | 0 | 0 |
| 3124 | Capitalized ADP Equipment | 73,430 | 59,635 | 46,484 | 46,484 |
| 3125 | Capitalized Office Machines | 0 | 7,968 | 6,211 | 6,211 |
| 3140 | Noncapitalized Equipment | 2,045 | 4,168 | 3,249 | 3,249 |
| 3141 | Other (High Risk Sensitive) | 0 | 10,075 | 7,853 | 7,853 |
| 3142 | Furniture (High Risk Sensitive) | 3,459 | 2,179 | 1,698 | 1,698 |
| 3143 | Noncapitalized Radio/Communication | 269 | 0 | 0 | 0 |
| 3144 | Noncapitalized ADP Equipment | 502 | 0 | 0 | 0 |
| 3145 | Noncapitalized Office Machines | 268 | 359 | 280 | 280 |
| | Total | 81,198 | 135,110 | 105,316 | 105,316 |

### TRAINING RETREATS

Mr. DURBIN. During fiscal year 1992 and to date for fiscal year 1993, have any retreats been held for OICD employees? If so, where were they held, how many people attended, and what was the total cost?

[The information follows:]

| OICD organizational unit | Location | Number | Cost |
|---|---|---|---|
| Personnel/EEO/Travel | Beltsville | 11 | No cost |
| Research and Exchanges Division | George Mason University | 26 | $3,406 |
| Food Industries Division | Rosslyn, VA | 34 | $250 |
| Development Resources Division/Inter-American and International Programs Branch. | Arlington, VA | 6 | $1,080 |

## REPRESENTATION EXPENSES

Mr. Durbin. You are allowed $3,000 for representation expenses. How have these funds been used in fiscal year 1992 and to date for fiscal year 1993? Please furnish the function, the date, and the cost of each event.

[The information follows:]

| Function | Date | Cost |
|---|---|---|
| FY 1992: | | |
| Reception for Chinese Agricultural Delegation | 11/25/91 | $810.18 |
| Reception for U.S. Candidate for WFP Executive Directorate at State Department | 2/19/92 | 1,000.00 |
| Reception for U.S.-Venezuela Agricultural Commission | 3/20/92 | 350.00 |
| Reception For Canadian Consultation Meetings | 5/8/92 | 100.00 |
| Reception for Canadian Consultation Meetings | 9/29/92 | 87.05 |
| Total | | 2,347.23 |
| FY 1993: | | |
| Reception for U.S.-Ireland Joint Working Group | 12/30/92 | $85.89 |
| Dinner for U.S.-China Liaison Secretaries Meeting | 1/20/93 | 317.87 |
| Total | | 403.76 |

## OPERATION FAST

Mr. Durbin. What is the current status of Operation FAST? You might first describe, for the record, what this program is and then describe for the Committee what you will be doing during fiscal year 1993.

Mr. Miranda. Operation FAST is a program aimed at redesigning and enhancing the performance of the financial and administrative systems of OICD. It includes two components: the recruitment and retention of the personnel needed to develop and manage those systems, and the acquisition or design of the systems tools necessary for effective operation. The recruitment and retention of personnel was implemented immediately and accounts for 60 percent of the FAST budget.

The redesigned or newly developed systems include the establishment of a local area ADP network, based on the client-server model, for the Agency, with capability for remote access, electronic mail, and resource sharing in printing and applications software such as word processing, spreadsheets, and databases. It includes the installation of microcomputers for all OICD employees, and connection to the USDA Local Area Network for data and video services and access to external telecommunication services. We have or are developing new applications systems—such as the Country and Project Reporting System—to manage information more efficiently, and we are pilot testing a new telephone system to replace the worn out system in the Agency.

In FY 1993, we plan to install several more powerful microcomputers in select offices to improve the processing of management information, to establish better telecommunications links with the National Finance Center to facilitate improved funds control, and to upgrade the local area network to handle the greater demands in usage and applications development. We plan to build on the

pilot test of the new telephone technology to upgrade the agency's telephone system. We will also continue the development of automated systems to improve the operations and provide better management information for the agency.

### UNITED STATES-ISRAEL BINATIONAL AGRICULTURAL RESEARCH AND DEVELOPMENT FUND (BARD)

Mr. DURBIN. What is the total amount of U.S. funding provided to BARD and what years were the funds provided?

Mr. MIRANDA. A total of $55 million was provided by the United States to BARD. The United States and Israel each contributed $40 million in 1978 to establish the BARD endowment. An additional $15 million was provided by each country in 1984. The interest from this endowment fund is used to support the joint research projects.

Mr. DURBIN. What research grants were awarded by BARD during fiscal year 1992?

Mr. MIRANDA. Thirty-four new three-year joint research projects averaging $220,000 each were selected to start in 1992. Two new one-year feasibility projects were also selected with $50,000 approved for each. The funds are shared nearly equally between U.S. and Israeli research institutions for each project.

### FOREIGN CURRENCY RESEARCH PROGRAM

Mr. DURBIN. What foreign currencies are currently in surplus?

Mr. MIRANDA. As far as we know, there are no "excess foreign currencies" available.

Mr. DURBIN. What grants have been awarded under this program to date for fiscal year 1993?

Mr. MIRANDA. No grants were awarded by USDA under this program in fiscal year 1992 or 1993. In former years, OICD had an annual appropriation for "Scientific Activities Overseas—Foreign Currency Program." The last year in which we received this funding was FY 1991. In Section 1512 of the 1990 FACT Act, the Congress amended the Agricultural Trade Development and Assistance Act of 1954 to authorize several uses for foreign currencies received as payments under the P.L. 480 Title I concessional sales program, including agricultural, forestry and aquaculture research. Any such local currency sales are considered a grant and, therefore, a 100 percent credit subsidy for purposes of Title I programming under the Credit Reform Act. This makes sales for foreign currencies more expensive, in terms of allocating credit budget authority, than sales for dollars. USDA has not signed any fiscal year 1993 Title I programs with local currency components, so no funds are available for this program.

Mr. DURBIN. What is the current unobligated balance for this program?

Mr. MIRANDA. The current unobligated balance for scientific Activities Overseas is $60,000.

Mr. DURBIN. Let me see if my colleague Mr. Pastor has any questions.

INTERNATIONAL RESEARCH

Mr. Pastor. What type of research are you involved in assisting or carrying out? Just give me a flavor of some of the work you do.

Mr. Miranda. I would be happy to, Mr. Pastor.

We are involved in quite a bit of international research either funded by foreign currencies or some of our appropriated funds. Right now, we had as of last year 164 projects going on in a number of countries. Pest disease prevention and control, germplasm and genetic improvement, soil and water resources, forestry and wood products, post-harvest technology, new crops and animal improvement, dry land agriculture, aquaculture and human nutrition.

And a lot of these programs are done in collaboration with other countries for benefits both to the U.S. and to the foreign government.

For example, with Egypt, under our AID funded agreement, there is a national agriculture research project where we just issued 28 cooperative research agreements for that country studying things like viruses that pertain both to the U.S. and to Egypt.

FORESTRY PROGRAMS

Mr. Pastor. Are you involved in any reforestation projects? Bringing back the trees in countries that——

Mr. Miranda. We manage some very large programs for AID in conjunction with the Forest Service that provide technical expertise to the AID missions worldwide on forestry, natural resources and environmental issues. I do not have the specifics on these projects. When our technical experts go out, they usually provide technical expertise to missions and help set up projects, help set up the planning in countries for those projects to do some of that kind of work. Specifically I can not give you the details now, but we could provide that for you.

[The information follows:]

The Department of Agriculture's Forest Service works closely with OICD in support of a large worldwide Forestry Support program for the Agency for International Development (A.I.D.). Through this program, technical expertise in Forestry is provided to A.I.D.'s missions overseas. However, there are no current projects having to deal with reforestation overseas at the present time.

Mr. Pastor. In your testimony, you talk about research in other countries on particular fungi or bacteria due to quarantine laws here in the United States.

Mr. Miranda. Yes, sir. There are some examples where it would be dangerous to bring in certain fungi or other organisms that are related to a particular country. But we want to do some research in that country on that organism because there is a chance that it might get to the U.S. because of the way things travel around these days. It is very easy to get from one area to another. So we do research on particular items that may be dangerous to American agriculture.

SWEET POTATO WHITE FLY

Mr. Pastor. I have a particular interest in the white fly. Are you funding any research outside of this country on white fly?

Mr. MIRANDA. We have done some research. I do not have the specifics of that right now but we can provide that for you.

[The information follows:]

OICD cooperates with U.S. university, state and federal laboratories by providing the international component of domestic research aimed at controlling exotic pests. The major foreign contribution usually is through the search for, evaluation of, and introduction into the United States of the pests' natural enemies.

The following page briefly describes efforts supported by OICD in 1992 that provided biological control organisms from India, Nepal, and Pakistan to help control the sweet potato white fly.

ACCESS TO NATURAL ENEMIES OF THE SWEET POTATO WHITE FLY (SPWF)

*Background.* The sweet potato white fly, *Bemesia tabaci,* (SPWF) is a major agricultural pest worldwide. It infests more than 500 plant species representing 74 families. Recently it has inflicted astronomical losses in agriculture in California, Arizona, Texas and elsewhere in the United States. In certain areas it has reduced melon production by over 80% and now severely threatens production of cotton and virtually every winter vegetable. In addition to losses caused directly by its feeding, the sweet potato white fly also is an important vector of plant disease, particularly viruses. Nineteen viruses are known to be transmitted by SPWF, including several mosaic and leaf-curl viruses. SPWF is resistant to most insecticides. Despite massive spraying, its numbers continue to increase.

The center of origin of SPWF—and its natural enemies—is thought to be the Indian subcontinent. A thorough search in that region for natural enemies, and study of their interaction with SPWF, should permit selection of organisms suitable for use in the integrated pest management of SPWF. Introduction to the U.S. of organism selected for their ability to reduce SPWF under a range of environmental conditions will contribute importantly to the control of SPWF in many crops.

*Funding and Implementation.* Using appropriated funds authorized by Congress under The Office of International Cooperation and Development (OICD) budget line item "Administration of International Research", the Research and Scientific Exchange Division (RSED) made it possible for USDA biological control specialists to make field observations on the natural enemies of SPWF throughout the Indian subcontinent, and to collect and ship to U.S. cooperators several pathogens and parasitoids of SPWF.

*Results.* March 2–22, 1992, collections of *Bemesia tabaci* and its natural enemies were made at three locations in Pakistan and several sites in Nepal. Leaves infested with white flies and their natural enemies, including pathogen-infected SPWF, were shipped to the USDA-APHIS quarantine facility in Mission, Texas.

A second round of collections was made September 1–23, timed to collect the late season component of the natural-enemy complex. Meanwhile, cooperators in Pakistan made regular shipments between April and September. In this way, the potential for finding effective predators and pathogens of SPWF was maximized.

The collections of parasitic insects and pathogenic fungi in the Indian subcontinent in September were among the most productive so far. Twelve shipments from Pakistan, Indian and Nepal all arrived in good condition at quarantine facilities in the U.S., and currently are being evaluated for biocontrol potential.

Mr. PASTOR. Okay. Thank you.

Mr. DURBIN. Thank you, Mr. Pastor. Mr. Skeen?

U.S. AGRICULTURE'S GLOBAL COMPETITIVENESS

Mr. SKEEN. Mr. Miranda, I know you mentioned in your testimony that part of your mission is to enhance U.S. agriculture's global competitiveness through access to new technology. Would you give the Committee an update of your recent successes in this effort?

Mr. MIRANDA. OICD's solicitation and selection of proposals for scientific exchanges and collaborative research for 1993 and beyond places special emphasis on providing access for USDA and U.S. university scientists to international research and development of non-food and non-feed uses for agricultural products.

As an example, one of the projects under USDA's trinational program involving U.S., Israeli, and Egyptian scientists conducts work on plastic mulch made from soybean or other vegetable oils to be used for "solarization" of soil to control weeks, nematodes and soil-borne plant pathogens. The unique feature of this material is that it biodegrades in several weeks, eliminating the need for removal and disposal of the cover after the soil is treated.

Indian research results from a U.S.-India collaborative research project have direct implications for improving management of irrigated salt-affected agricultural systems in the San Joaquin Valley of California, and other areas of the western U.S. Research under this project produced several state-of-the-art computer programs and associated management tools useful to many specialists working on problems of soil and groundwater salinization in irrigated agricultural areas.

Long-term joint research projects with Ireland were funded in 1993, including three that are aimed at developing new technologies to benefit U.S. agriculture. These include using new instrumental and molecular modelling techniques to develop new high-value dairy food products; developing diagnostic assays and vaccines for diseases which affect the cattle industry in the United States, Ireland, and other countries; and studying the regulation of ammonium uptake by corn root systems in order to develop the more efficient and economical use of nitrogen fertilizers and to minimize surface and groundwater pollution.

### BUDGET/RESOURCES

Mr. SKEEN. I know you offer technical assistance and expertise to ensure economic growth. Did last year's budget request give you the necessary resources to accomplish this task?

Mr. MIRANDA. Yes. Last year's budget request provided the resources necessary to accomplish this task.

Mr. SKEEN. What are the major types of technical assistance requested by other countries for your services?

Mr. MIRANDA. One of the major types of technical assistance requested by other countries is focused in the area of natural resources and the environment, including environmental training and education. Other areas relate to agricultural technical information, soil and water conservation, plant protection and quarantine technology, and agricultural statistics. We are also often asked to provide specialized training, especially in the areas of agricultural economics, natural resources, extension and rural development, computer applications in agriculture, and sustainable agricultural development.

### FINANCIAL AND ADMINISTRATIVE SYSTEM TRACKING

Mr. SKEEN. In last year's testimony we discussed your request for $495,000 for Financial and Administrative Systems Tracking. Would you give me an update on that request?

Mr. MIRANDA. The Committee recommended and Congress approved $563,000 for Financial and Administrative Systems Tracking.

This program is aimed at redesigning and enhancing the performance of the financial and administrative systems of OICD. It includes two components: the recruitment and retention of the per-

sonnel needed to develop and manage those systems, and the acquisition or design of the systems tools necessary for effective operation.

The redesigned or newly developed systems include the establishment of a local area ADP network, based on the client-server model, for the Agency, with capability for remote access, electronic mail, and resource sharing in printing and applications software such as word processing, spreadsheets, and databases. It includes the installation of microcomputers for all OICD employees, and connection to the USDA Local Area Network for data and video services and access to external telecommunication services. We have or are developing new applications systems—such as the Country and Project Reporting System—to manage information more efficiently, and we are pilot testing a new telephone system to replace the worn out system in the Agency.

GATT

Mr. SKEEN. Would you provide me with an update of your agency's participation in the GATT talks?

Mr. MIRANDA. OICD has no direct participation in the GATT talks.

Mr. SKEEN. Your agency is responsible for maintaining agricultural competitiveness, how do you plan to ensure that?

Mr. MIRANDA. Our role in maintaining U.S. agricultural competitiveness hinges on keeping American agricultural scientists abreast of technical progress being made in other countries, and by providing them access to germplasm.

Mr. DURBIN. We thank the panel for patiently waiting and joining us this morning. We will be back in touch with you as we get closer to markup.

The committee will stand in recess until one o'clock, when we will be visited by the Secretary of Agriculture.

Thank you.

[The prepared statement follows:]

Statement of
John A. Miranda, Acting Administrator
Office of International Cooperation and Development
U.S. Department of Agriculture
Before the House Appropriations Subcommittee
on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman, members of the Subcommittee, thank you for the opportunity to share with you the work of USDA's Office of International Cooperation and Development. I'll begin with a brief overview of OICD's mission, provide you with background on our budget, and then tell you about the kind of work we do.

OICD's programs are aimed at strengthening U.S. agriculture's global competitiveness and leadership while, at the same time, supporting economic growth in the developing countries of Asia, Africa, and Latin America, and in the emerging democracies of Eastern Europe and the former Soviet Union.

These international efforts lead to medium and long-term trade benefits for the United States as we help these countries stabilize, reform, and strengthen their agricultural sectors. As we know from historical perspective, growing incomes in developing countries permit people to increase their imports to help meet expanding demands for a larger and more diverse market basket of goods, including food, fiber, and other products. Again, past experience demonstrates this can lead to a stronger

U.S. agricultural community through increased exports of U.S. agricultural and other goods and services to fill the needs of our neighbors around the world.

OICD was established in 1978, and was given responsibility for the Department's programs related to international scientific and technical exchanges, liaison with international organizations, international technical assistance and training, and international collaborative research. OICD's establishment was designed to increase efficiency and improve communication within the Department regarding international development activities. It also provided a much needed central point of contact for people in USDA, other federal agencies, the university community, and the private sector who needed information or assistance related to the international development activities of the Department.

In fiscal year 1992, OICD carried out its work with a budget of $38.8 million. Less than 20 percent of this, only $7.2 million, came from direct appropriations. The appropriated funds serve primarily to operate the agency's research and scientific exchange programs, liaison with international organizations, the Cochran Fellowship Program, and the Agribusiness Promotion Program.

The largest part of the agency's budget -- $28.4 million -- came from the reimbursable technical assistance, research, and training programs which OICD manages.

Of the reimbursable program funds, 60 percent came from our work with the Agency for International Development on more than 80 project agreements. The balance comes from the Support for East European Democracy, or SEED Act, and non-AID sources, including other USDA agencies, international organizations, and universities. An additional $3.2 million was expended in 1992 for technical assistance activities managed by OICD on behalf of the World Bank and countries such as Spain and Saudi Arabia.

OICD has approximately 200 employees, about 135 of whom are permanent staff. The remainder hold various kinds of non-permanent positions related to specific fixed-term contracts which the agency manages. Roughly 190 OICD employees are located in the Washington metropolitan area; the rest are stationed overseas on long-term assignments.

Throughout the year, in addition to our regular staff of about 200, we usually have as many as 400 to 500 additional individuals working on projects involving more than 70 countries. To fill these jobs, we tap the resources of the many USDA agencies, other federal government agencies, the U.S. university system, and the private sector for the particular expertise required for a project -- anything from biotechnology to nutrition to the environment. Our job is to manage USDA's

international programs, maximizing the benefits to both the United States and other countries. We do this by reaching out, identifying, and using the vast resources available in the U.S. agricultural and scientific communities to meet needs identified by the various organizations who call on us.

Now I'd like to tell you a little about each of our four program divisions, and give you a very brief overview of the work they do.

Activities in our Research and Scientific Exchange Division are funded through a combination of all three sources of our funding -- appropriated, reimbursable, and trust funds. There are three major components of the division's work. The first is the administration of collaborative research. Through long-term research projects, U.S. researchers collaborate with their international counterparts on high priority problems for the U.S. agricultural community, such as citrus canker or the Africanized honeybee. Research is carried out both here and overseas and is funded either by U.S. dollars or by foreign currencies made available from expired Public Law 480 agreements or other sources. The research conducted overseas often cannot be conducted in the United States due to quarantine considerations or the need to study a particular organism or disease in its natural habitat.

There is also the added benefit that such research is usually done at significantly lower cost than is possible in the United States. In fiscal year 1992, this division managed 53 collaborative research projects in 15 different countries, and an additional 164 projects were ongoing in six countries using foreign currencies.

The second component is our scientific exchange program, where U.S. and foreign scientists make short-term visits to each other's country to exchange information of mutual benefit as well as technology, germplasm, and biological materials. In fiscal year 1992, we managed 111 exchanges involving 25 countries and 216 participants. These exchanges have proved invaluable over the years in improving U.S. crops, forestry, and livestock.

Under the auspices of this program, OICD manages a major long-term scientific exchange program with China, a country with a vast reservoir of germplasm resources important for the improvement, protection, and continued diversity of U.S. crops. This past year 21 teams of U.S. and Chinese scientists visited each other's countries to exchange information on topics of importance to agriculture. Just to mention a few, scientists exchanged plant germplasm resources and biological control agents to protect citrus fruits and stored grains, and a team of U.S. plant quarantine officials visited China to discuss U.S. medfly quarantine practices -- an obstacle to U.S. fruit exports to China.

Our reimbursable research programs, the third component, operate mainly in Egypt, India, Thailand, Eastern Europe, and the newly independent states of the former Soviet Union.

For example, the National Agricultural Research Project in Egypt, a far-reaching AID-funded project involving the cooperation of OICD and USDA's Agricultural Research Service, is supporting 28 collaborative research projects. These projects will improve the agricultural research system in Egypt, providing Egyptian farmers with appropriate technology and a supportive policy environment in which to apply that technology.

Our Food Industries Division's emphasis is on agribusiness and is also funded from all three sources -- appropriated, reimbursable, and trust funds. This division's Trade and Investment Program helps promote U.S. exports while supporting the development of a healthy, vital, private sector in other countries through marketing workshops, in-country technical team visits, and trade missions. They are involved with the Caribbean Basin Initiative and run an Agribusiness Information Center that provides information regarding export/import regulations and other information needed by U.S. investors and exporters.

The program's scope of work has grown and diversified recently, in both content and geographical breadth. We are now working in the Caribbean, Central American and Andean countries, Central Europe, Sub-Saharan Africa, and the Near East.

In 1992, we sponsored agribusiness opportunity missions for U.S. business men and women to Guatemala, the Dominican Republic, and Jamaica, and advance missions to Belize, Honduras, Hungary, and Nicaragua. Through these missions, U.S. entrepreneurs gain the opportunity to meet and develop joint partnerships with their counterparts in countries to which they may not otherwise be exposed. Developing joint ventures and other business linkages puts American companies in a stronger position to gain access to markets for U.S. agricultural and other products.

The division's Professional Development Program provides career-related training for foreign agriculturalists. This training takes place in U.S. universities and institutions and is funded by an international organization or a foreign government. In fiscal year 1992, over 200 participants from 56 countries were placed with U.S. institutions, fostering long-term relationships and future collaboration when the participants return home.

The Cochran Fellowship Program trains young professionals from middle-income countries and emerging democracies and exposes them to U.S. systems, goods, and services to foster mutual trade and promote development.

In FY 1992, 472 Cochran Fellows from the public and private sectors of 21 countries received training in the United States, and the program has been a resounding success according to resident USDA agricultural counselors. The Cochran Program has played an especially important role in USDA's efforts to assist Russia and other new republics in the former Soviet Union.

The Development Resources Division, our largest, is funded completely through reimbursable projects and trust funds. This unit coordinates and provides technical assistance to developing countries, using the expertise of its own personnel, other agencies of the Department, and the university community. Its management and training unit conducts short-term technical training in the United States for foreign agriculturalists. More recently, the unit is also conducting specially designed in-country training overseas. We anticipate the demand for this training will grow.

The division's major areas of focus are forestry and natural resources, soil and water management, plant protection and animal health, information management, and business management and administration.

In a major undertaking, we are working closely with other USDA agencies to provide technical assistance to the Agency for International Development's natural resource projects worldwide, and policy development and implementation regarding environment and energy concerns here in Washington. Growing pressure on the

world's natural resources has heightened the importance of efforts such as these.

While the goal of this division is to build sound institutions and to develop indigenous technical expertise in developing countries over the medium-to-long-term, our famine mitigation unit is presently involved in the U.S. response to the emergency situation in Somalia. Currently, we have a famine mitigation specialist on a 3-month detail to the Horn of Africa assisting AID's Office of Foreign Disaster Assistance Somalia Response Team. This specialist reviews and selects AID-funded agricultural projects that will be implemented to help alleviate the suffering in Somalia and throughout the region.

Our fourth division is the International Organizations Division, which has a small staff, funded entirely through appropriations. This division acts as USDA's liaison with international organizations concerned with agriculture. These organizations include the Organization for Economic Cooperation and Development, the Food and Agriculture Organization of the UN, the World Food Program, and the Inter-American Institute for Cooperation in Agriculture. All told, we are actively involved with about 30 different international organizations whose agendas can have an impact on U.S. agriculture.

Last year's United Nations Conference on the Environment and Development highlighted the increasing interrelationships between agricultural, environmental, and trade issues. Decisions in any one of these areas affect all of them. The Organization for Economic Cooperation and Development has become one of the significant fora for reviewing the impact of policies in these areas. As the work of OECD is expanding, it is affecting more USDA agencies and OICD is expanding its coordinating role vis a vis OECD. At the same time, we are also designating staff to be responsible for follow up to UNCED in the U.S. government as well as in international organizations.

While USDA has a long history of active interaction with the Food and Agriculture Organization of the United Nations, this working relationship will also grow as FAO responds to the agenda set by UNCED. Many USDA agencies, such as the Forest Service, the Animal and Plant Health Inspection Service, and the Agricultural Research Service, work very closely with FAO on matters of concern to U.S. agriculture. OICD places high priority on maintaining this productive relationship, especially in such programs as the Tropical Forestry Action Program, in the Working Group on Plant Genetic Resources, and in the activities of Codex Alimentarius.

OICD also helps promote U.S. candidates for posts in international organizations through the Associate Professional Officers Program, which provides international work experience for junior professionals from the United States. The first seven Associate Professional Officers who had been placed with the Food and Agriculture Organization and the International Fund for Agricultural Development had all completed their tours of duty by the summer of 1991. Two new APOs were appointed and left for their assignments during 1992. Both will be working with FAO, one in Quito, Ecuador, and the second in Jakarta, Indonesia. In fiscal year 1993, APOs will work in the areas of agricultural marketing, natural resources, forestry, nutrition, and pest management.

In addition to our ongoing activity with the international organizations, this year the international community must elect new leadership for the Food and Agriculture Organization and the Inter-American Institute for Cooperation in Agriculture. OICD works with the Department of State to establish criteria used to identify the best candidates for the U.S. Government to support in the elections.

I would now like to briefly turn again to the budget situation for OICD. For fiscal year 1993 OICD's appropriated budget is again $7.2 million. This is a small but very important component to our total budget, which is projected for this year at $45.7 million. This represents a 22 percent increase in the

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reimbursable and trust fund portion of our budget over fiscal year 1992.

As I mentioned earlier, in all of its activities, OICD draws upon the resources of other USDA agencies, the U.S. land-grant university system, other federal agencies, the private sector, and in-house expertise. We are actually, in many cases, an agency that showcases and provides to governments and institutions abroad the significant talent and expertise encompassed in these institutions. In fact, we operate much like a private sector entity within government rules and regulations. We do not have time to "rest on our laurels" because such a large part of our budget comes from reimbursable and trust funds -- funds we must obtain and maintain through proven successes.

Mr. Chairman, in closing, I would like to highlight the fact that a major proportion of the world's population -- four billion people -- live in developing countries. The majority earn their living through agriculture, the number one occupation in most of these countries. Of those 4 billion people, 2.5 billion live in rural areas, and half of those live below the poverty line. A recently released study by the International Fund for Agricultural Development on results of foreign aid programs in

developing countries says that well intentioned donors have missed the point of development assistance. That is, the rural poor are not an obstacle to economic recovery but the very key to producing it. To quote from the report, "Poverty is less of a failure of the poor, than a failure of policymakers to grasp their potential."

We at OICD do understand that potential. We well recognize that the world is a "global village" whether viewed from the perspective of trade, nutrition and health, or the environment. OICD is proud of the role it plays in helping both U.S. agriculture and the global village preserve and strengthen a vital agricultural sector. We continue to be USDA's window to the world and provide a unique service in the Department for U.S. farmers and their neighbors worldwide.

## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

### Purpose Statement

The Office Of International Cooperation and Development (OICD) was established by Secretary's Memorandum No. 1947 of May 1, 1978. OICD was given responsibility for technical assistance, international training and development programs, management of international organizational affairs, and scientific exchanges. OICD's functions were expanded by Secretary's Memorandum No. 1988, of October 26, 1979, which delegated to the Agency authority for international cooperative research. In August 1986, OICD was provided authority to disseminate information to the U.S. private sector on foreign market and investment opportunities.

OICD's mission is to help the total U.S. Department of Agriculture, other Federal agencies, and associated institutions, industries, and organizations with global responsibilities to serve worldwide human needs by strengthening food and agricultural systems in developing countries and, at the same time, strengthen U.S. agriculture's international competitiveness and leadership through collaborative programs.

OICD's program objectives are:

1) To establish systems that allow U.S. agriculture's continuing access to technology and genetic material worldwide;

2) To establish systems that encourage U.S. agriculture scientists and institutions to be involved in global programs that are on the cutting edge of technology and of economic and policy debate;

3) To mobilize expertise to help other countries move toward strong market and trade-oriented economies, via development efforts in food and agricultural systems that increase incomes among the poor majority, expand the availability and consumption of food, and maintain or enhance the natural resource base;

4) To serve the interests of U.S. agriculture and citizenry through international organizations related to food and agriculture;

5) To link with and support the private sector and other public and private institutions in those responsibilities where they can best play the major role; and

6) To help other Federal agencies carry out their global missions by tapping USDA and other institutional expertise and resources.

As of September 30, 1992, there were 128 permanent full-time employees (126 in headquarters and 2 on resident assignments overseas) and 73 other employees (69 in headquarters and 4 on resident assignments overseas.)

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Available Funds and Staff-Years

1992 Actual and Estimated, 1993 and 1994

| | 1992 Actual | | 1993 Estimated | | 1994 Estimated | |
|---|---|---|---|---|---|---|
| | Amount | Staff-Years | Amount | Staff-Years | Amount | Staff-Years |
| Salaries and Expenses | $7,247,000 | 67 | $7,247,000 | 67 | $7,343,000 | 67 |
| Obligations under other USDA appropriations: | | | | | | |
| FAS, ERS, ES, and AMS for technical assistance and training in Eastern Europe and the former Soviet Union | 806,942 | 3 | 2,000,000 | 4 | 2,000,000 | 4 |
| SCS for Scientific & Technical Exchanges | 96,067 | -- | 100,000 | -- | 100,000 | -- |
| ARS for Admin. of Internat'l Research | 862,482 | -- | 900,000 | -- | 900,000 | -- |
| Total, Agriculture Appropriations | 9,012,491 | 70 | 10,247,000 | 71 | 10,343,000 | 71 |
| Other Federal Funds: U.S.A.I.D. and others for development assistance | 24,512,631 | 116 | 29,500,000 | 127 | 29,500,000 | 127 |
| Non-Federal Funds: Contributions for USDA development assistance, from Spain, Saudi Arabia, international organizations, and universities | 5,275,666 | 10 | 6,000,000 | 10 | 5,946,000 | 10 |
| Total, Office of International Cooperation and Development | 38,800,788 | 196 | 45,747,000 | 208 | 45,789,000 | 208 |

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Permanent Positions by Grade and Staff-Year Summary

1992 and Estimated 1993 and 1994

| Grade | 1992 Head-quarters | 1992 Field | 1992 Total | 1993 Head-quarters | 1993 Field | 1993 Total | 1994 Head-quarters | 1994 Field | 1994 Total |
|---|---|---|---|---|---|---|---|---|---|
| ES-6 | 1 | 1 | 2 | 1 | | 1 | 1 | | 1 |
| ES-5 | | | | | | | | | |
| ES-3 | | | | | | | | | |
| ES-2 | | | | | | | | | |
| ES-1 | 1 | | 1 | 1 | | 1 | 1 | | 1 |
| GS/GM-15 | 12 | | 12 | 12 | | 12 | 12 | | 12 |
| GS/GM-14 | 20 | | 20 | 20 | | 20 | 20 | | 20 |
| GS/GM-13 | 27 | | 27 | 27 | | 27 | 27 | | 27 |
| GS-12 | 13 | | 13 | 13 | | 13 | 13 | | 13 |
| GS-11 | 11 | | 11 | 11 | | 11 | 11 | | 11 |
| GS-10 | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| GS-9 | 15 | | 15 | 15 | | 15 | 15 | | 15 |
| GS-8 | 3 | | 3 | 3 | | 3 | 3 | | 3 |
| GS-7 | 19 | | 19 | 19 | | 19 | 19 | | 19 |
| GS-6 | 4 | | 4 | 4 | | 4 | 4 | | 4 |
| GS-5 | 4 | | 4 | 4 | | 4 | 4 | | 4 |
| Other Graded Positions.... | 0 | 1 | 1 | 0 | 2 | 2 | 0 | 2 | 2 |
| Total Permanent Positions.... | 130 | 2 | 132 | 130 | 2 | 132 | 130 | 2 | 132 |
| Unfilled Positions, EOY..... | -2 | -- | -2 | -- | -- | -- | -- | -- | -- |
| Total Permanent Employment, end-of-year.... | 128 | 2 | 130 | 130 | 2 | 132 | 130 | 2 | 132 |
| Staff Years.... | 188 | 8 | 196 | 198 | 10 | 208 | 198 | 10 | 208 |

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

SALARIES AND EXPENSES

CLASSIFICATION BY OBJECTS

1992 and Estimated 1993 and 1994

| | 1992 | 1993 | 1994 |
|---|---|---|---|
| Personnel Compensation: | | | |
| Headquarters | $ 2,920,761 | $ 2,878,058 | $ 2,965,432 |
| Field | 47,278 | 7,151 | 0 |
| 11 Total personnel compensation | 2,968,039 | 2,885,209 | 2,965,432 |
| 12 Personnel benefits | 536,384 | 567,420 | 583,196 |
| Total pers. comp. & benefits | 3,504,423 | 3,452,629 | 3,548,628 |
| Other Objects: | | | |
| 21 Travel | 445,833 | 463,461 | 463,461 |
| 22 Transportation of things | 18,220 | 24,755 | 24,755 |
| 23.3 Communications, utilities, and misc. charges | 233,215 | 186,180 | 186,180 |
| 24 Printing and reproduction | 56,485 | 50,551 | 50,551 |
| 25 Other services | 2,145,652 | 2,183,066 | 2,183,066 |
| 26 Supplies and materials | 82,284 | 68,543 | 68,543 |
| 31 Equipment | 135,110 | 105,316 | 105,316 |
| 41 Grants | 625,778 | 712,500 | 712,500 |
| Total other objects | 3,742,577 | 3,794,371 | 3,794,372 |
| Total direct obligations | 7,247,000 | 7,247,000 | 7,343,000 |
| Position Data: | | | |
| Average Salary, ES positions | $112,100 | $103,250 | $103,250 |
| Average Salary, GM/GS positions | $32,423 | $33,623 | $33,623 |
| Average Grade, GM/GS positions | 11.1 | 11.1 | 11.1 |

## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted language enclosed in brackets).

Salaries and Expenses:

For necessary expenses of the Office of International Cooperation and Development to coordinate, plan, and direct activities involving international development, technical assistance and training, and international scientific and technical cooperation in the Department of Agriculture, including those authorized by the Food and Agriculture Act of 1977 (7 U.S.C. 3291), [$7,247,000] $7,343,000: Provided, That not to exceed $3,000 of this amount shall be available for official reception and representation expenses as authorized by 7 U.S.C. 1766: Provided further, That in addition, funds available to the Department of Agriculture shall be available to assist an international organization in meeting the costs, including salaries, fringe benefits and other associated costs, related to the employment by the organization of Federal personnel that may transfer to the organization under the provisions of 5 U.S.C. 3581-3584, or of other well-qualified United States citizens, for the performance of activities that contribute to increased understanding of international agricultural issues, with transfer of funds for this purpose from one appropriation to another or to a single account authorized, such funds remaining available until expended: Provided further, That the Office may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs (7 U.S.C. 1736) and the foreign assistance programs of the International Development Cooperation Administration (22 U.S.C. 2392).

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

SALARIES AND EXPENSES

| | |
|---|---|
| Appropriations Act, 1993 | $7,247,000 |
| Budget Estimate, 1994 | 7,343,000 |
| Increase in Appropriation | 96,000 |

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

| Item of Change | 1993 Estimated | Pay Costs | Other Changes | 1994 Estimated |
|---|---|---|---|---|
| Scientific Exchanges | $1,939,000 | $28,000 | -- | $1,967,000 |
| Administration of International Research | 1,545,000 | 33,000 | -- | 1,578,000 |
| USDA Liaison with International Organizations | 896,000 | 16,000 | -- | 912,000 |
| Targeted Development | 480,000 | 3,000 | -- | 483,000 |
| Cochran Fellowship Program | 1,824,000 | 6,000 | -- | 1,830,000 |
| Operation FAST | 563,000 | 10,000 | -- | 573,000 |
| Total Available | 7,247,000 | 96,000 | -- | 7,343,000 |

PROJECT STATEMENT

(On basis of appropriation)

| Project | 1992 Actual Amount | 1992 Actual Staff-Years | 1993 Estimated Amount | 1993 Estimated Staff-Years | Increase or Decrease | 1994 Estimated Amount | 1994 Estimated Staff-Years |
|---|---|---|---|---|---|---|---|
| 1. International Scientific and Technical Cooperation: | | | | | | | |
| a. Scientific Exchanges.......... | $1,939,000 | 20 | $1,939,000 | 20 | $28,000 | $1,967,000 | 20 |
| b. Administration of International Research........... | 1,545,000 | 23 | 1,545,000 | 23 | 33,000 | 1,578,000 | 23 |
| c. Liaison with International Organizations | 896,000 | 11 | 896,000 | 11 | 16,000 | 912,000 | 11 |
| Total, International Scientific and Technical Cooperation... | 4,380,000 | 54 | 4,380,000 | 54 | 77,000 (1) | 4,457,000 | 54 |
| 2. International Agricultural Development: | | | | | | | |
| a. Targeted Development........ | 480,000 | 2 | 480,000 | 2 | 3,000 | 483,000 | 2 |
| b. Cochran Fellowship Program............ | 1,824,000 | 4 | 1,824,000 | 4 | 6,000 | 1,830,000 | 4 |
| Total, International Agricultural Development.. | 2,304,000 | 6 | 2,304,000 | 6 | 9,000 (2) | 2,313,000 | 6 |
| 3. Financial and Administrative Systems Tracking (FAST) | 563,000 | 7 | 563,000 | 7 | 10,000 (3) | 573,000 | 7 |
| Total Appropriation........ | 7,247,000 | 67 | 7,247,000 | 67 | 96,000 | 7,343,000 | 67 |

## EXPLANATION OF PROGRAM

The appropriation for the Office of International Cooperation and Development is used to develop, implement, and evaluate USDA's policies and programs for agricultural cooperation and development throughout the world.

### International Scientific and Technical Cooperation

Scientific Exchanges. USDA maintains scientific and technical exchange programs with foreign governments and research institutions, as authorized by Section 1436 of the Agriculture and Food Act of 1981. These activities include the exchange of agricultural data and the collection of exotic germplasm and biological materials which have the potential to improve U.S. crops, forestry, and livestock. These exchanges also strengthen the role of science and technology in the efforts to stabilize world food supplies and to use world resources more efficiently. Costs are shared by OICD and participating entities.

International Research. OICD manages the Department's international research activities in cooperation with various USDA agencies, U.S. agricultural institutions, and foreign research institutions. These collaborative research efforts yield information valuable for the protection of U.S. agriculture from foreign pests and diseases, for increasing domestic productivity, and for reducing the threat of hunger and malnutrition overseas.

Research is undertaken through a variety of binational agreements and funding mechanisms, including the United States' treaty with Spain and the U.S.-Israel Binational Agriculture Research and Development Fund. Under Section 1436 of the Agriculture and Food Act of 1981, OICD fosters participation of U.S. land-grant colleges in research abroad.

International Organizations. OICD coordinates USDA's and the U.S. Government's participation in approximately 30 international organizations concerned with food, agriculture, and rural development. OICD represents USDA in the organizations' planning, advances U.S. interests, protects U.S. agriculture, and organizes U.S. delegations to international agricultural conferences.

### International Agricultural Development

Targeted Development. The major purpose of these programs is to help increase global consumption of nutritious food, thereby serving both a humanitarian role in target countries and a long-term market expansion role. OICD's activities include review of P.L. 480 food aid proposals, and technical assistance in support of the development of private sector food industries in developing countries and emerging democracies. The agency's Agricultural Information Center serves as a central point of contact for inquiries from the private sector and developing countries on trade and investment opportunities in the Caribbean region.

Cochran Fellowship Program. OICD manages this program for the training of mid- and upper-level managers from emerging democracies and countries which no longer qualify for U.S. foreign economic assistance programs. OICD's program aims to establish and maintain contacts with officials in these countries and to nurture opportunities for trade with the United States.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $77,000 for International Scientific and Technical Cooperation ($4,380,000 available in FY 1993) consisting of:

(a) An increase of $55,800 which reflects a 2.7 percent increase in non-salary costs.

Need for Change. These funds are necessary to offset increased operating costs. Continued absorption of these increased operating costs will severely affect the quality and quantity of our programs.

Nature of Change. This increase will be used to maintain a current level of services associated with inflation which will affect the critical parts of the program.

(b) An increase of $77,000 which reflects the annualization of the fiscal year 1993 pay raise.

(c) A decrease of $55,200 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve these savings, OICD will carefully monitor travel, training, supply purchases, printing and reproduction costs and utility usage.

(d) A decrease of $600 for FTS funding. This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

(2) A net increase of $9,000 for International Agricultural Development ($2,304,000 available in FY 1993) consisting of:

(a) An increase of $27,900 which reflects a 2.7 percent increase in non-salary costs.

Need for Change. These funds are necessary to offset increased operating costs. Continued absorption of these increased operating costs will severely affect the quality and quantity of our programs.

Nature of Change. This increase will be used to maintain a current level of services associated with inflation which will affect the critical parts of the program.

(b) An increase of $9,000 which reflects the annualization of the fiscal year 1993 pay raise.

(c) A decrease of $27,600 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve these savings, OICD will carefully monitor travel, training, supply purchases, printing and reproduction costs and utility usage.

(d) A decrease of $300 for FTS 2000 funding. This decrease reflects lower long distance telecommunications prices redetermination in the FTS 2000 contracts.

(3) A net increase of $10,000 for Operation FAST ($563,000 available in FY 1993) consisting of:

(a) An increase of $9,300 which reflects a 2.7 percent increase in non-salary costs.

Need for Change. These funds are necessary to offset increased operating costs. Continued absorption of these increased operating costs will severely affect the quality and quantity of our programs.

Nature of Change. This increase will be used to maintain a current level of services associated with inflation which will affect the critical parts of the program.

(b) An increase of $10,000 which reflects the annualization of the fiscal year 1993 pay raise.

(c) A decrease of $9,200 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve these savings, OICD will carefully monitor travel, training, supply purchases, printing and reproduction costs and utility usage.

(d) A decrease of $100 for FTS 2000 funding. This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1992 and Estimated 1993 and 1994

| | 1992 | | 1993 Estimated | | 1994 Estimated | |
|---|---|---|---|---|---|---|
| | Amount | Staff Years | Amount | Staff Years | Amount | Staff Years |
| District of Columbia.... | $7,247,000 | 67 | $7,247,000 | 67 | $7,343,000 | 67 |

## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

### STATUS OF PROGRAM

OICD manages the U.S. Department of Agriculture's programs and activities in overseas agricultural cooperation and development. These activities are carried out in cooperation with other Federal agencies, foreign nations, international agencies, universities, groups from the agricultural industry and other elements of the private sector. OICD funding reflects this diversity, with costs paid through reimbursements from the Agency for International Development (AID) and international organizations, universities, and other USDA agencies, as well as through appropriations and trust funds.

### INTERNATIONAL SCIENTIFIC AND TECHNICAL COOPERATION

Current Activities: Agency activities and objectives include:

1. Seeking new knowledge and technology to benefit the United States and cooperating countries through research on food, agriculture, and forestry.

2. Managing international agricultural research programs to promote scientific cooperation among Federal agencies, American colleges and universities, and foreign research agencies and institutions.

3. Serving as the focal point for USDA's foreign agricultural research programs, securing the most qualified American scientists available for project collaboration, administering bilateral and multilateral research programs, and ensuring mutual benefit of research results to the United States and cooperating countries.

4. Managing USDA's role in:

   Scientific and technical exchanges of scientists, technicians, and agriculturalists on a bilateral basis with many countries. Special emphasis is on China, the former Soviet Union, Eastern European countries, Ireland, Venezuela and Mexico.

   The Tri-national Program, which promotes agricultural cooperation among Egypt, Israel, and the United States, and the acceleration of agricultural development in Israel and Egypt.

   Binational Collaborative Research, which enables American researchers to collaborate with researchers in developed and developing countries to investigate high priority American agricultural problems and to promote U.S. partnerships with foreign countries on agricultural problems of mutual concern.

   BARD, the United States-Israel Binational Agricultural Research and Development Fund, supporting research of mutual benefit to both countries. Projects are supported with the proceeds of a special $110 million endowment, each country having contributed $40 million in 1978 and $15 million in 1984.

5. Managing the U.S. Department of Agriculture's role in international organizations concerned with food, agriculture, and rural development, such as:

   -- the Food and Agriculture Organization of the United Nations,

   -- the Organization for Economic Cooperation and Development,

   -- the World Food Council,

   -- the Inter-American Institute for Cooperation on Agriculture, and

-- the United Nations Economic Commissions.

Selected Examples of Recent Progress:

1. Ireland

Every year, since 1986, U.S. and Irish scientists and other agricultural specialists participate in short-term (1-6 week) exchange visits. The purpose of these visits is to collect and exchange information or to conduct short-term experiments with colleagues. U.S. teams are composed of USDA, university, and private researchers, and the projects included are selected competitively, primarily on the basis of potential benefits to U.S. agriculture. In 1992, 15 teams of U.S. researchers traveled to Ireland and a like number of Irish scientists visited the United States. Some of the most successful visits by U.S. researchers have yielded valuable information on pasture management and animal diseases and have gathered unique germplasm for U.S. breeding programs.

The graduate agribusiness internship program, begun in September 1991 with the placement of three outstanding U.S. interns in Ireland, was expanded to four in September 1992. The program provides a mechanism for U.S. business and agricultural graduate students interested in a career in agribusiness to spend a school term gaining first-hand experience in international business and knowledge of Ireland as a gateway to export opportunities to the rest of the European Community. The long-term objectives of the program are to forge people-to-people ties between U.S. and Irish agribusinesses and to promote U.S. competitiveness.

USDA organizes agribusiness opportunity missions to help U.S. companies form linkages with Irish firms. During these missions, U.S. business leaders, who pay their own travel expenses, meet with prospective partners in Ireland and learn about the business environment. Missions are organized once or twice per year depending on interest in the U.S. business community.

Collaborative research projects, which often evolve out of short-term exchange visits, pair a U.S. and an Irish research institution to work together on a highly structured research plan over a 1-2 year period. Four projects are currently funded on milk bio-processing, combatting paratuberculosis, ammonium uptake by plants and assessing beef carcass quality.

2. China and Mongolia

Nineteen teams of scientists, eight from the U.S. and eleven from China, took part in exchanges under the scientific and technical exchange agreement signed between USDA and the Chinese Ministry of Agriculture. U.S. scientists had the opportunity during the past year to research Chinese natural resources management and agricultural practices to explore their possible applications to American agriculture.

Some U.S. teams evaluated and collected biological control agents in China to combat the brown citrus aphid and grain storage insect infestations in the U.S., initiated collaborative research on sorghum, and exchanged methods of fruit fly detection and eradication to enhance the international trade of horticultural crops. Others evaluated forestry genetics and exchanged germplasm for windbreak tree species used in China and the U.S. There were also teams which researched and developed agricultural economic models for China, studied Chinese agricultural utilization methods of the flatpea, and investigated soil-root flux to enhance crop nutrient use.

Long-term collaborative research programs continue in the areas of biological control, plant genetic resources and grassland plant materials exchange and development. In addition, several previous U.S. teams are developing collaborative research projects with Chinese counterparts to exchange data, expertise and technical personnel.

The second U.S. scientific and technical exchange team visited Mongolia under the U.S-Mongolian scientific exchange protocol. The team from USDA/Soil Conservation Service

researched plant materials for grasslands restoration as part of an international collaborative project involving the U.S., China and Argentina. Soil surveys to develop a database on soil resource information were also conducted.

3. Former Soviet Union (FSU)

There have been successful information exchanges on wheat and sorghum germplasm. In addition, databases have been developed in Russia on plant genetic resources that are compatible with the U.S. Germplasm Resources Information Network (GRIN). The 1991 agreement between USDA's Agricultural Research Service (ARS) and the N.I. Vavilov Institute of Plant Industry (VIR) continues joint work on germplasm exploration and associated research. Other exchanges took place among soil scientists, and work was started on joint publication of a book on soil and water conservation. A Soil Conservation Service (SCS) plant materials team studied grassland plantings in Kazakhstan. Both sides continued exchanges on economics and agricultural statistics, and there were exchanges completed on the feed and vegetable oil industries of the former Soviet Union. Forestry exchanges included teams on tree breeding, fire protection, reforestation, shelter-belts, insect control, global climate change and pollution effects in forestry.

While the breakup of the former Soviet Union has created new opportunities for scientific cooperation, uncertain economic and political developments in the FSU threaten the existence of many unique scientific institutions and their capabilities. To assist the U.S. Government's efforts in the conversion of much of the FSU's science to civilian uses, promote and develop useful cooperative scientific research of mutual benefit, and assist in the fulfillment of FSU capabilities, USDA plans to send evaluation teams to the FSU in 1993. The teams will assess program potential and evaluate FSU institutional capabilities to sustain long-term cooperative research. The team assessments will provide the basis for selecting cooperative long term research projects to begin in FY 1994.

4. Mexico

USDA and the Mexican Secretariat of Agriculture and Water Resources are working to strengthen scientific and technological cooperation in agriculture and forestry. Working groups in animal and plant health and protection, collaborative research and trade continue to facilitate cooperation. Scientific exchanges planned for 1992 include integrated ecosystem monitoring for global change, a study of whitefly transmitted viruses which affect plant and vegetable crops, and embryo transfer techniques.

5. Egypt-Israel-U.S. (Tri-national Program)

Tri-national projects are funded by USAID's Middle East Regional Cooperation Program in Support of the Camp David Accords. Activities include research and development efforts in the areas of sheep and goat embryo transfer techniques, horticultural crops, post harvest techniques, and diseases of livestock.

Recent accomplishments include the first workshop of the animal health (TAHRP) project, held in Israel April 12-16, 1992 and attended by 10 Egyptian scientists. Since its inception in 1990, TAHRP has also provided regular channels for exchange of timely information between Egypt and Israel on the region's livestock disease outbreaks and control measures being taken.

6. India Germplasm

The AID-funded India germplasm project benefits India by providing needed structural improvement for the conservation of germplasm and professional enhancement in U.S. laboratories for Indian scientists. It also interests U.S. scientists because it provides an opportunity for U.S. and Indian scientists to work together on germplasm research projects and field collections of mutual interest. Joint research projects have been agreed upon in the areas of eggplant, quarantine of citrus and prunus and seed deterioration. In addition, several field collection trips are scheduled in

India and in the U.S. to collect wild species and those with specifically desired characteristics, such as salt-tolerance or drought resistance.

7. Egypt - National Agricultural Research Project (NARP)

The Collaborative Research Component of the National Agricultural Research Project sponsors agricultural research of mutual benefit to the U.S. and Egypt. This is year two for seven multi-institutional projects focusing on integrated pest management of different food and fiber crops. At the request of the NARP Director General, the Administrator of USDA's Agriculture Research Service (ARS) recently provided consultant services to the NARP project and the Agriculture Research Center. Key areas for technical assistance were identified and plans finalized for the review of additional research proposals.

In May 1992, a team of U.S. scientists traveled to Egypt to review 221 research proposals for an eventual funding of approximately 20 new 3-year projects. Those submitting proposals included U.S. universities, the private sector and ARS. Grants were awarded in October, 1992.

8. International Agricultural Research Centers (IARCs)

Two ongoing USAID-funded activities, the International Agricultural Research Centers (IARCs) and the Scientific Liaison Officers (SLOs) provide a coordinated approach to increase linkages between the U.S. scientific community and the IARCs. Efforts to provide more linkage opportunities for U.S. scientists with IARCs were initiated over the past year. To this end, USDA's Joint Council on Food and Agricultural Sciences is initiating a pilot program to increase linkages between USDA and U.S. university scientists and the IARCs. This Pilot Linkages Program (PLP) is an effort to match the needs of the IARCs for specific research with U.S. scientists' desires to collaborate internationally.

9. Support for Eastern European Democracies

Current activities by OICD funded under the Support for East European Democracies (SEED) Act focus on agro-environmental programs in integrated pest management, wind and water soil erosion, and surface and ground water quality.

In Bulgaria, the Minister of Agriculture requested that OICD send a team to examine the arsenic contamination of irrigation water in the Topolnitza Reservoir. Experts from the USDA Agricultural Research Service and U.S. Environmental Protection Agency determined that the primary source of contamination was a copper mine and smelter operation in the reservoir watershed. Additional visits and further study by U.S. scientists led to additional recommendations concerning this and related environmental pollution problems. Subsequently, experts from the Soil Conservation Service and the Bureau of Mines were added to this effort. The project team has accomplished or has in process several activities to remedy the contamination problem and resolve secondary problems it has caused.

At the Water Quality, Soil Erosion, and Integrated Pest Management workshops held in September 1991 and April 1992, U.S. and central and eastern European participants identified agriculturally-related environmental problems, including legal/policy reform and enforcement of regulations; point source and non-point source water and soil contamination, and soil erosion. The workshop participants developed a regional program to analyze and resolve problems and issues in those areas. A Planning Meeting was held subsequent to the Water Quality and IPM workshops to develop preliminary workplans for the program, to be undertaken with SEED funding. Low-cost, off-the-shelf technologies will be emphasized in these programs; they will be demonstrated in private and cooperative farms where possible, with regional cooperation and participation. Follow-up regional meetings and workshops will be sponsored by this project.

10. Associate Professional Officers

Two new APOs were appointed and left for their assignments during 1992. Both will be working with the Food and Agriculture Organization (FAO), the first in Quito, Ecuador working in the area of post-harvest processing and agricultural marketing, the second in Jakarta, Indonesia focusing on water resource policy.

## INTERNATIONAL AGRICULTURAL DEVELOPMENT

Current Activities: USDA's objective in this area is to contribute to the establishment of an efficient world agricultural system in which production, marketing, and trade occur at levels sufficient to provide adequate food and fiber for all people.

In this area, OICD:

1. Participates in the planning, managing, and evaluating of USDA's policies and programs related to agricultural cooperation and development throughout the world;

2. Provides technical assistance and training;

3. Promotes the involvement of the private sector in agricultural development, notably in the Caribbean Basin; and

4. Promotes the development of countries into stronger trading partners for American goods and services.

In 1992, OICD entered into 188 reimbursable agreements with other USDA agencies, utilizing the Department's expertise on short and long-term technical assistance missions in 1992. The agency has 9 individuals on resident assignments overseas and provides administrative support for numerous other individuals posted overseas from other agencies.

Selected Examples of Recent Progress:

1. Reimbursable Programs

Indonesia Upland Agriculture Conservation Project

This six-year project is aimed at improving farming systems technology and management to increase farm production and incomes while minimizing soil erosion in densely populated areas. The Soil Conservation Service (SCS) of USDA conducted training and assisted Indonesian technicians at provincial, district and farm levels to experiment with and apply alternative approaches to upland farming.

Tunisia Agricultural Economics

In this project USDA worked closely with the Tunisian Ministry of Agriculture and the A.I.D. mission in the use of local currencies for development purposes, such as carrying out sector and policy studies on the impact of the recent drought and locust infestation, and in developing agricultural development programs.

Zambia Planning and Conservation Study

The World Bank approached OICD to solicit USDA's expertise in conducting environmental degradation assessments in Zambia. OICD enlisted the services of the Economic Research Service to conduct these assessments. Follow-up activities with Zambian staff identified existing policies, land-use regulations, credit and finance systems, and human resources within Zambia which could be mobilized to promote sustainable natural resource management practices and programs. A team from USDA will work with Zambia to prepare a long-term use and conservation program for implementation by a resident team.

Guatemala Private Enterprise Development Project

Through collaboration with U.S. land grant universities, OICD is assisting this AID-funded project by providing technical advisors to several thousand small-scale business owners, expanding the availability and diffusion of vital market information to buyers, sellers, producers, and manufacturers. A resident technical team has worked with counterparts in private sector commercial groups in Guatemala, as well as the Ministry of Economics.

South Pacific Commercial Agricultural Project

OICD will coordinate a project for several island republics of the south Pacific wishing to develop their plant quarantine capability for both import and export trade. ARS will provide scientific advice, technical assistance, training and construction guidance, while APHIS will provide quarantine inspection training and personnel to monitor quarantine procedures and facilities.

Phytosanitary Systems in Ecuador

OICD negotiated an agreement with the Ecuadorian Association of Businessmen and the Ministry of Agriculture and Livestock to cooperate in a plant protection and quarantine program designed to improve the effectiveness of phytosanitary systems necessary for exporting non-traditional agricultural products from Ecuador.

The Trade and Investment Program (TIP)

OICD's Trade and Investment Program works to enhance private sector agricultural activities between the U.S. and the countries of Latin America and the Caribbean, Africa, Eastern Europe, the Near East, and Asia.

Under the Trade Enhancement Initiative a series of agribusiness marketing workshops have been approved in Hungary, the Czech and Slovak Federal Republics, Poland, and Bulgaria. Supported by SEED Act funds, these workshops share information on U.S. food marketing and importation systems, regulatory agencies and requirements, packaging materials, product development and other relevant marketing issues. The first workshop was held in Hungary in May 1992. Over 100 participants attended.

In 1992, "Agribusiness Opportunity Missions" were conducted in Jamaica, the Dominican Republic, Venezuela, and Guatemala. Missions are currently being planned for Hungary, Poland, Nicaragua, Honduras, Belize, and the Eastern Caribbean. These missions may result in both buying and selling of goods and services, technology transfer and licensing, investments in wholly owned enterprises, or a variety of joint venture arrangements.

Energy and Environmental Support

OICD has entered into an agreement with A.I.D.'s Research and Development Bureau to provide technical specialists in the areas of natural resources, energy, and the environment. A.I.D. has requested 28 technical staff from USDA in environmental training and education; environmental and natural resource economics and policy; global climate change; forestry conservation and management; energy production and conservation; biological diversity; environmental data base management; and energy policy and planning. An institutional and programmatic relationship between USDA and A.I.D. in matters of energy and environment has been incorporated into this agreement to insure that USDA agencies have technical and policy input in energy and environmental activities.

Training

During 1992, 280 participants from 30 countries were trained in 21 technical courses. Overseas, a regional training course was organized and implemented in Uganda for 29 participants from three countries. In-country courses were conducted in Morocco in agricultural management skills and in Uganda for a total of 75 participants.

2. Cochran Fellowship Program (CFP)

The objective of the Cochran Fellowship Program is to provide high quality training for senior and mid-level specialists, managers, technicians, agribusiness staff, and policy officials from middle-income countries and emerging democracies.

In 1992, about 350 Cochran Program Fellows from 20 countries received agricultural and agribusiness training in the U.S. The participants were identified in their respective countries with the cooperation of FAS Agricultural Attaches and Trade Officers and U.S. agricultural commodity trade promotion groups. Participants are selected from the private sector, as well as from the public sector and universities. Since it began in 1984, the program has trained over 2,100 participants from 22 countries.

Some of the results of the program include:

Expanded lines of U.S. high value products being carried by supermarket chains in Hong Kong and Singapore resulting from the 1992 Supermarket Management Training Program;

New regulations allowing the import of U.S. pine into Korea which may result from the study by Korean researchers of kiln drying resulting in the elimination of pine wood nematode infestation;

The purchase of 1,000 Holstein breed stock, as well as semen and embryos, by a Venezuelan participant after he trained with U.S. dairy suppliers.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include appropriation language for this item as follows (deleted language enclosed in brackets).

[Scientific Activities Overseas (Foreign Currency Program)]

[For payments in foreign currencies owed to or owned by the United States for research activities authorized by section 104(c)(7) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704(c)(7)), not to exceed $1,062,000: Provided, That not to exceed $25,000 of these funds shall be available for payments in foreign currencies for expenses of employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), as amended by 5 U.S.C. 3109.]

This change deletes the language providing for the continuation of this program, with an obligation limitation, since the 1994 budget proposes no new funding for the program. Research projects already underway will continue until completed.

## EXPLANATION OF PROGRAM

Authorized by P.L. 480 as amended, USDA uses foreign currencies to support research on problems of mutual interest to the United States and participating foreign countries.

Research is conducted abroad through grants negotiated with foreign institutions. Project selection is based on relevance to U.S. agricultural concerns: for example, preventing the incursion of animal diseases or insect pests into American agriculture; or developing plants that are more productive, drought tolerant, or disease resistant. The research also develops markets for American agricultural products and equipment, adds to our knowledge of the environment and cuts the costs of valuable research.

OICD represents USDA in this activity, with funds allotted as intergovernmental fund transfers when grant awards are obligated for research in foreign countries.

No foreign currencies were made available under the provisions of 7 U.S.C. 1704(c)(7), as amended, in 1993, and none are to be made available in 1994. Projects which began in 1991 and earlier will continue until completed.

# WITNESSES

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